DOCUMENT RESUME

ED 300 152 RC 016 708

TITLE	Rural Area Revitalization Act of 1987; and the Rural Development Reorganization Act of 1987. Hearing on H.R. 1800 and H.R. 2026 before the Subcommittee on Conservation, Credit, and Rural Development of the Committee on Agriculture. House of Representatives, One Hundredth Congress, First Session.
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Agriculture.
PUB DATE	19 May 87
NOTE	276p.; Serial No. 100-32. Contains some small, light type.
AVAILABLE FROM	Superintendent of Documents, Congressional Sales Office, U.S. Government Printing Office, Washington, DC 20402.
PUB TYPE	Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC12 Plus Postage.
DESCRIPTORS	Counseling; Dislocated Workers; Drinking Water; Economic Development; *Federal Legislation; Federal State Relationship; Grants; *Hearings; Primary Sources; *Rural Development; Rural Economics
IDENTIFIERS	Congress 100th

ABSTRACT

Testimony of H.R. 1800, the Rural Area Revitalization Act, and H.R. 2026, the Rural Development Reorganization Act focuses on the need for federal attention to rural problems other than agriculture. The Rural Area Revitalization Act authorizes expansion of capital available for lending in rural areas, a grant program of $25 million per year for business capital and public improvements, and a new grant program to support local private nonprofit and public development agencies in searching out new business opportunities. Finally, the act authorizes a program to explore new ways to provide safe and affordable drinking water supplies to rural communities. The Rural Development Reorganization Act authorizes a survey of all rural programs and suggests transferring them to a new Rural Development Administration, to be created as part of the renamed Department of Agriculture and Rural Development. An office of Advocacy for Rural Development would be formed within the department to explore means of improving rural economies and to join in cooperative agreements with state governments for the same purpose. Rural technology grants proposed would support programs in rural areas to develop and commercialize new products and processes. Counseling and retraining are also to be made available to workers displaced from farming and agriculture related businesses. The hearing record includes testimony from state officials, the U.S. Department of Agriculture, farmers, and representatives of national and state organizations concerned with rural development. The text of this proposed legislation is appended. (DHP)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

RURAL AREA REVITALIZATION ACT OF 1987; AND THE RURAL DEVELOPMENT REORGANIZATION ACT OF 1987

ED300152

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

H.R. 1800 and H.R. 2026

MAY 19, 1987

Serial No. 100-32

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

RC016708

Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE
78-346 WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

BEST COPY AVAILABLE

78-346 O - 88 - 1

COMMITTEE ON AGRICULTURE

E (KIKA) DE LA GARZA, Texas, *Chairman*

WALTER B. JONES, North Carolina
ED JONES, Tennessee
GEORGE E. BROWN, JR., California
CHARLES ROSE, North Carolina
GLENN ENGLISH, Oklahoma
LEON E. PANETTA, California
JERRY HUCKABY, Louisiana
DAN GLICKMAN, Kansas
TONY COELHO, California
CHARLES W. STENHOLM, Texas
HAROLD L. VOLKMER, Missouri
CHARLES HATCHER, Georgia
ROBIN TALLON, South Carolina
HARLEY O. STAGGERS, JR., West Virginia
LANE EVANS, Illinois
ROBERT LINDSAY THOMAS, Georgia
JIM OLIN, Virginia
TIMOTHY J. PENNY, Minnesota
RICHARD H. STALLINGS, Idaho
DAVID R. NAGLE, Iowa
JIM JONTZ, Indiana
TIM JOHNSON, South Dakota
CLAUDE HARRIS, Alabama
BEN NIGHTHORSE CAMPBELL, Colorado
MIKE ESPY, Mississippi

EDWARD R. MADIGAN, Illinois,
Ranking Minority Member
JAMES M. JEFFORDS, Vermont
E. THOMAS COLEMAN, Missouri
RON MARLENEE, Montana
LARRY J. HOPKINS, Kentucky
ARLAN STANGELAND, Minnesota
PAT ROBERTS, Kansas
BILL EMERSON, Missouri
SID MORRISON, Washington
STEVE GUNDERSON, Wisconsin
TOM LEWIS, Florida
ROBERT F. (BOB) SMITH, Oregon
LARRY COMBEST, Texas
BILL SCHUETTE, Michigan
FRED GRANDY, Iowa
WALLY HERGER, California
CLYDE C. HOLLOWAY, Louisiana

PROFESSIONAL STAFF

A. MARIO CASTILLO, *Chief of Staff*
PHILLIP L. FRAAS, *Counsel*
CHARLES HILTY, *Minority Staff Director*
BERNARD BRENNER, *Press Secretary*

SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

ED JONES, Tennessee, *Chairman*

ROBIN TALLON, South Carolina
LANE EVANS, Illinois
ROBERT LINDSAY THOMAS, Georgia
RICHARD H. STALLINGS, Idaho
GLENN ENGLISH, Oklahoma
TIMOTHY J. PENNY, Minnesota
DAVID R. NAGLE, Iowa
JIM JONTZ, Indiana

E. THOMAS COLEMAN, Missouri
JAMES M. JEFFORDS, Vermont
SID MORRISON, Washington
STEVE GUNDERSON, Wisconsin
LARRY COMBEST, Texas
FRED GRANDY, Iowa

CONTENTS

Page

H.R. 1800, a bill to assist in the revitalization of rural communities through economic diversification and the provision of community facilities to meet basic human needs, and for other purposes 223

H.R. 2026, a bill to provide that the Department of Agriculture shall be known as the Department of Agriculture and Rural Development, to transfer certain other programs within such Department to a newly established Rural Development Administration, and for other purposes 228

Jones, Hon. Ed, a Representative in Congress from the State of Tennessee, opening statement 1

WITNESSES

Anderson, Mollie, director, Job Training of Greater Nebraska, Nebraska Department of Labor 36
Prepared statement 146

Cassidy, Jack, vice president and manager, rural utility relations, Central Bank for Cooperatives, on behalf of the Farm Credit System's Bank for Cooperatives 21
Prepared statement 97

Coleman, Hon. E. Thomas, a Representative in Congress from the State of Missouri 3
Prepared statement 55

DeWeaver, Norman C., representing the Center for Community Change 17
Prepared statement 78

Fox, Jeffrey J., vice president of legislation, Communicating for Agriculture 24
Prepared statement 103

Hall, James, assistant to the Governor, State of Tennessee 47
Prepared statement 185

Hardy, Stuart B., manager, food and agriculture policy, Resources Policy Department, U.S. Chamber of Commerce 52
Prepared statement 199

Hedges, Jay R., director, Illinois Department of Commerce and Community Affairs 41
Prepared statement 171

Heffernan, William D., professor of rural sociology, University of Missouri–Columbia 31
Prepared statement 121

Jackson, Andrea, farmer, LaPlata, MO 38
Prepared statement 158

Myers, Peter C., Deputy Secretary, U.S. Department of Agriculture 11
Prepared statement 67

Palk, Roy M., executive director of operations, National Rural Electric Cooperative Association 19
Prepared statement 87

Schiff, Jeffrey H., executive director, National Association of Towns and Townships 26
Prepared statement 113

Weber, Hon. Vin, a Representative in Congress from the State of Minnesota 8
Prepared statement 64

Werries, Larry A., director, Illinois Department of Agriculture 40
Prepared statement 165

Wohlbruck, Aliceann, executive director, National Association of Development Organizations 50
Prepared statement 190

Page
Youmans, Robert A., member, Rural Family Issues Coalition 34
Prepared statement 140

SUBMITTED MATERIAL

American Farm Bureau Federation, statement 206
Rural Community Service Project, statement 209
Ryan, George H., Lieutenant Governor, State of Illinois, letter of May 14, 1987 211
White, Jim, general manager, Gibson County Electric Membership Corp., statement 216

RURAL AREA REVITALIZATION ACT OF 1987; AND THE RURAL DEVELOPMENT REORGANIZATION ACT OF 1987

TUESDAY, MAY 19, 1987

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION, CREDIT,
AND RURAL DEVELOPMENT,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 1302, Longworth House Office Building, Hon. Ed Jones of Tennessee (chairman of the subcommittee) presiding.

Present: Representatives Tallon, Evans, Stallings, Penny, Nagle, Jontz, Coleman, Gunderson, and Grandy.

Also present: Representative Johnson, member of the committee.

Staff present: Phillip L. Fraas, counsel; Charles R. Rawls, associate counsel; Vernie Hubert, assistant counsel; John E. Hogan, minority counsel; Glenda L. Temple, clerk; Robert A. Cashdollar, James W. Johnson, Jr., Bernard Brenner, James R. Lyons, and Susan Adkins.

OPENING STATEMENT OF HON. ED JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. JONES of Tennessee. Good morning. The Subcommittee on Conservation, Credit, and Rural Development will come to order.

We have a rather long agenda today of witnesses. We're proud of those who are here, and we're very anxious, indeed, to hear them on this very vital subject in which this subcommittee is very much interested.

After I read my statement, I'm going to yield to Congressman Coleman, the ranking minority member of the subcommittee, who is at the witness table now, for his statement, and then we'll start with the witness group. If he's here, the Honorable Vin Weber, Member of Congress from Minnesota, will be the first witness. If not, we'll take the Honorable Peter Myers.

Today's hearing opens a new agenda for the subcommittee this year. Both Mr. Coleman and I are deeply interested in what's been happening to our rural communities. Following on the heels of the agriculture recession we have witnessed a serious stagnation and, in some cases, a virtual collapse of the economy in some rural areas.

This has happened while the administration has made an all-out assault over the past 6 years on rural nonfarm programs at the De-

partment of Agriculture. The budgets of the Rural Electric Administration, the Farmers Home Administration's Water and Sewer Program, the housing programs and business and industry programs have been seriously slashed.

However, we may now be entering a new era of concern, both within the administration and the Congress. Congressman Coleman and I have introduced separate rural development bills and, additionally, we have cosponsored each other's bills in order to illustrate our mutual commitment to dealing with this issue.

I understand the White House has had a task force working toward some type of rural development initiative and numerous groups and associations have been developing ideas and proposals.

Today I would like to get some discussion of my bill, H.R. 1800, the Rural Area Revitalization Act. The act makes use of a relatively new financial assistance tool in the Federal catalog, the Rural Development Loan Fund or RDLF. This fund, authorized under the credit title of the 1985 farm bill, makes loan capital and technical assistance available to rural business people through nonprofit agencies dedicated to rural development. In using such private sector groups, the act avoids expanding the Federal staff required to deliver local services and provides room for innovation unencumbered by Federal red tape.

The Rural Area Revitalization Act builds on the promise of the RDLF in several ways:

No. 1, it authorizes the expansion of the capital available for relending through public and private nonprofit corporations, including cooperatives, by $20 million per year. The terms and conditions currently applicable to the RDLF would apply to these funds as well.

No. 2, it authorizes a complementary grant program of $25 million per year for business capital and public improvements which would support the present RDLF lending activity.

Three, it authorizes a new grant program to support the work of local private nonprofit and public development agencies in searching out new business opportunities and helping existing and prospective entrepreneurs to take advantage of them. This program is authorized on a pilot basis for the next 5 years, at a level not to exceed $25 million per year.

In addition, the Rural Area Revitalization Act would provide a new source of innovation in a longstanding, successful Federal effort to provide essential services—safe, affordable drinking water supplies—to rural communities. The act authorizes a $10-million-a-year program to explore new ways to meet the needs of geographically isolated and low-income rural residents whose needs are not readily met by the construction of central public water supply system facilities.

I look forward to any criticisms or suggestions for improving this fairly minor initiative as well as our witnesses' suggestions for developing a more comprehensive rural development policy.

With those remarks, I'll close and recognize Congressman Tom Coleman, who is at the witness table.

[H.R. 1800 and H.R. 2026 appear at the conclusion of the hearing.]

STATEMENT OF HON. E. THOMAS COLEMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. COLEMAN. Mr. Chairman, thank you very much. I'm changing my seat here for the moment to become a witness before our committee.

My colleagues on this panel and I know oftentimes we sit there and wonder how these witnesses can have so much information to impart to use, and yet when I started putting down my own comments and thoughts, this is definitely going to run probably more than 5 minutes, but not too much longer. I ask the indulgence of my colleagues.

I am pleased to testify today because of an issue which I think is very critical, and that's rural development, and specifically, Mr. Chairman, to address the bill that I have introduced, along with your cosponsorship and those others on the committee, H.R. 2026.

As we know, 2 years ago those of us on the House Agriculture Committee spent literally hundreds of hours coming up with a new 1985 farm bill and a farm agricultural policy for this country for the next 5 years. While parts of that bill are working, other parts of it are not. Regardless of your own philosophy or viewpoints on what you think might be in an agricultural policy, the fact remains that what we did was essentially pass a traditional agricultural policy. A traditional policy of set-asides and price supports might have legitimately served as a rural policy also in the 1930's, but in the 1980's I think that it does not and that we need more as far as rural policies go.

If you look back into the 1930's, at that point in time a quarter of our population actually lived on the farm and the majority of people who lived in rural areas lived on the farms. As we know, less than 3 percent of the population today is farmers, and yet I think the surprising statistic is that we have almost 25 percent of our total population in this country living in rural communities. Simply put, the traditional farm policies of the past are too narrow to address the complex economic and social problems facing rural Americans today.

Mr. Chairman, as I started putting together this rural development initiative, it became obvious to me that there is a mindset in this country, in this town really and capital city of Washington, and that is that there is a problem in rural America and it must deal with agriculture and therefore must be solved by agriculture.

I'm not necessarily sure that's the case. I think what we really see is a whole new set of circumstances, and the conclusion that I derive from that is that the farm crisis does not end at the farmgate. We, in fact, have a rural community crisis today which is affecting every sector of our rural economy and lifestyle from its schools to its health care services to shops on Main Street.

I think in order for us to really address these problems we have to do something new, different, and nontraditional. We need to throw off our blinders here in the Congress and look beyond the farm to the farm families. So often we are caught up with actually trying to derive a policy here for the family farm that we've practically lost sight of the people who occupy those farms and that of course is the families involved who are going through some tremen-

dous economic and social and emotional stress in these communities. They need compassionate, humanitarian assistance that they just can't get from traditional farm agricultural programs.

If these families and communities are going to survive in the 1990's, and there are definitely some studies showing that towns of 1,000 or fewer people are not going to survive into the 1990's, then we need to have a national rural development policy that's designed to meet the specific needs of rural America.

It was a fellow Missourian who once said—it was Mark Twain, Mr. Chairman—he said: if you put all of your eggs in one basket, be sure and watch that basket. I think that's what we've seen here in rural areas. Traditionally, agriculture has been the basket we've put all of our eggs in and that's a fragile basket today.

What we need to do is diversify as well and to plan for and do and make transitions into a diversified economy with economic development.

I think most of our colleagues here in the Congress are certainly aware of the urban poverty that we have in this country and have experienced in the past. But I don't believe they fully comprehend the poverty in rural America. The fact is that while we only have 24 percent of the population of the United States, at least by 1985 census data we also have 38 percent of the Nation's poverty; 67 percent of the Nation's substandard housing; and a higher unemployment rate than in urban areas of this Nation. Our per capita income in farm counties has fallen from 91 percent of that of metropolitan areas in 1973 down to 76 percent of that standard in 1984.

Because of the falling in my area, dramatic fallings of values of agricultural farmland, we have seen the tax base erode for many of our local communities as well. Those local governments now are in many cases unable to provide the basic community services which are necessary. They are, in fact, trying to plug the dike by sticking their fingers in it, and now the dike itself is eroding away.

More alarming statistics are the underemployment that we see in rural communities, and that would take into account part-time workers as well as substandard salaries. If you take those into account, you can see that because of the relative isolation that rural workers face, as well as unlikely to find new job opportunities, they are hiring below their standards of where they could be. They are also unemployed for longer periods of time in rural communities. Therefore, we see a higher underemployment statistic in our rural communities.

I won't go over subjects that this committee is very familiar with—about foreclosures on banks and failed banks and businesses. We all know those in our districts. But let me just say that many people are leaving rural communities because they are voting with their feet. They are choosing not to live in rural communities because there's no economic viable job alternatives.

Between 1983 and 1985 we've seen the population of nearly half of our rural agriculture-oriented counties decline. Unlike the workers that preceded them from the farm who have moved to the cities to have a semiskilled job, these are people who are leaving farm communities today to go to big cities and find that they're having to accept lower paying service jobs and they're being turned away

from higher paying jobs that require more skill and technical knowledge.

It's estimated that 2,100 farmers leave the farm every week. In my own State of Missouri 102 farmers quit each week.

To address the complex problems of rural America to restore its viability, Congress must develop a national rural policy. The rural development initiative that I have drafted and introduced, along with you and other members of this committee, is a blueprint for that policy. It addresses the human side of the equation of the farm crisis and offers a realistic strategy to strengthen and rebuild rural economies.

Specifically, H.R. 2026 is one of the four legislative proposals in our rural development initiative. The main provisions of this bill that we have before us today, first of all, creates a Rural Development Administration, a lead agency, if you will, to coordinate all of the activities and a better, efficient management of programs that impact rural communities.

Mr. Chairman, we went to the General Accounting Office and asked them how many programs actually impact rural areas. They didn't know. We picked up a couple of books and thumbed through them and looked at some of the programs that we knew impacted rural areas and found that there were 220 or more programs that we have in the Federal Government that impact rural communities. They're administered by 20 different agencies, and fewer than 40 of them are actually administered by the current USDA.

What we're trying to suggest is that there are a lot of things out there that need to be coordinated and better delivered, and that's why we are proposing creating the Rural Development Administration—to be the advocate of rural America and to manage better and more efficiently the programs that we even have today.

We're also proposing to reflect the new mission, the comprehensive mission, of the new Department of Agriculture by naming it the Department of Agriculture and Rural Development.

We're asking the General Accounting Office, incidentally, to make a thorough survey of all of these programs currently outside the jurisdiction of the Department of Agriculture, asking them to report back to us and Congress, to let us know about the efficacy of transferring many of these activities that are outside the framework of USDA to the new Rural Development Administration.

We foresee this lead agency administering two block grants that we're providing for. One of them is called the Investment and Incentive block grant, which basically will provide seed capital to communities for rural economic development activities and encourage private sector development as well.

The other block grant, which we call the Infrastructure block grant, works because of the erosion, as I alluded to earlier, of many of the very basic services in rural communities—going without roads and bridges and utility extensions, waste water and supply facilities, all of which are very standard and necessary if you're going to attract businesses into a community.

The next thing that the RDI does is establish rural technology and training centers. We envision these to be linked up with universities and nonprofit organizations that will focus their attention on new products, new marketing techniques, and new processes to

take the place of some of the agricultural activities that are being transitioned out under this new wave that we're going through.

Mr. Chairman, we have a very strong land grant college system in this Nation. Its mandate has been to help the farm community come up with some of the best ways of farming in the world. They have been very successful in that. They have been so successful that we have production now so much that it has become a problem.

What I would like to see and what I'm suggesting with the rural technology and training centers is to take some of this intellect and intelligence that has been able to create hybrid seeds that produce such massive quantities of surplus crops and transfer it into the processes of coming up with new ideas of what we can do in rural areas other than traditional agricultural, so that people can live in rural communities and raise their families in the future.

We are proposing to create agricultural action centers. These would be one-stop service areas for counseling, information, and job training for farm families—some place the families can go without getting shuffled around to various agencies. We will hear from witnesses later on who have had experiences in this because this concept of agricultural action centers is really built upon the amendment that I placed in the 1985 farm bill which is known as section 1440, which does provide some immediate job training and counseling services today.

We were able to get funding for three demonstration projects in Iowa, Nebraska, and Missouri, and we will hear from some of the people today that have participated in the 1440 program that we want to build upon by making new agricultural action centers.

These emergency services are necessary, Mr. Chairman, because we know that it is going to take some time to get us out of the problems that we're in today and, as a result, families need to have some place that they can turn to.

There are a lot of things going on in rural areas. In the State of Missouri we have people who are nonprofit, charitable, or self-help groups that are trying to help farm families cope. They range from church organizations to structures set up by the State government to individual farm groups who are trying to help. All of them are counseling and trying to help these families in this very difficult time.

Some things that might work in Tennessee we don't know about in Missouri, and some things that might work in Wisconsin may work in Iowa. We need to have a kind of communication system set up, and we're proposing a national clearinghouse to be able to formulate and provide assistance throughout this Nation and tell each other what is working and the services that are available through various segments of the government, Federal and State and local, as well as charitable and volunteer organizations.

We also propose to establish a special assistant to the President to assist and advise the executive branch to make recommendations in order to improve and enhance the rural development programs that we have on the books and that we are creating.

Mr. Chairman, very briefly, let me go over two additional bills that I've introduced that are not assigned to our committee which

are very much an important part of the rural development initiative.

First of all, I think the Federal Government can be part of the solution, and that is to locate Federal facilities where applicable to and in rural areas and procure goods and services from rural vendors, much like we have the setaside for small business today in that defense appropriation bill. We need to also have that for rural businesses as well.

I visited with Mr. Combest at one time about this particular subject matter, and he said in his district there was a contract where a company had to build targets for target practice for the army—not too sophisticated equipment, I'm sure, but it put people to work in that community. I think that's very important. If we could just get a little piece of that action designated for rural areas, I think it would be of great assistance.

I note that Federal facilities, not the ones that have to service the public in person, for example—those obviously have to be where the centers of population are—but there are many places in this Nation that could utilize keypunch and clerical help and utilize the technology that we have today through satellites and computerization to be able to do many of the things that are now done in urban areas. I would in my other bills provide a framework for working with the Government in trying to locate those facilities out there.

Citibank, which is the largest bank in the United States, has moved its entire credit card operation out of New York City to South Dakota. They have done that for a number of reasons, but what's important is that it is putting hundreds of people in South Dakota to work that would not have had that opportunity. I think that the Federal Government can come up with some creative ways of transferring some good jobs outside some of our urban areas as well.

Finally, Mr. Chairman, the real future lies with our young people, as we know. We see too many of our youngsters leaving rural communities, either going away to college or going away to the city to seek employment, and, frankly, never coming back. The population of our rural communities is graying and getting older. We're not replenishing the supply of leaders in many of these communities.

I'm proposing to try to change that by, one, providing the greatest access to our youngsters in rural high schools to provide them information about how to go to college, how to apply to college, how to take entrance examinations to those schools, how to seek student assistance—Federal and State and scholarships, and working with volunteers in that local community to provide employment and a shoulder to lean on, if you will. Then I hope that we will be able to stimulate these youngsters to go away and to be able to get as much information and knowledge as possible, but, more importantly, to come back to that community and serve as a leader in the 1990's and beyond, and help us solve these problems that have been created over the last 10, 15, or 20 years. We call that program ACCESS. It's assigned to the Education and Labor Committee, and I'm very excited about the possibilities of this program, Mr. Chairman, for the future of rural areas.

The rural development initiative has received bipartisan support, widespread bipartisan support, Mr. Chairman. You and other leading Democrats have joined myself and other Republicans—53 of us now are sponsoring the rural development initiative.

I look forward to working with you and with others on this committee and in the Congress to provide the basis of what I think is going to be a strong rural economy in the future if we can pass some of these legislation.

I thank you for your cooperation in the past and look forward to working with you on your legislation as well as we try to develop a really coherent policy for rural Americans.

[The prepared statement of Mr. Coleman appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Tom, for a very splendid statement. I look forward to reading the prepared statement following our hearing here today.

Where are the other bills? Are they in Education and Labor?

Mr. COLEMAN. The one is in Education and Labor; one is in Government Operations; and the other one is in Small Business.

Mr. JONES of Tennessee. Can you recall the numbers of those bills just offhand?

Mr. COLEMAN. They're sequential, so I think they're H.R. 2026 and 27 and 28 and 29 probably. There's four altogether.

Mr. JONES of Tennessee. Four bills altogether?

Mr. COLEMAN. Yes.

Mr. JONES of Tennessee. OK. If there are no questions, I hope you'll come back up here and take your seat.

Mr. COLEMAN. I surely will.

Mr. JONES of Tennessee. I think we're going to hear some testimony today that's going to be very helpful to this subcommittee in doing some of the things that without a doubt should have been done some time ago for more protection and more support for our rural communities.

The Honorable Vin Weber? We're delighted that you're here, Vin. We are pleased that you have the interest in the work that this subcommittee is trying to do for the rural communities. I know that you're deeply involved and concerned.

You may proceed.

STATEMENT OF HON. VIN WEBER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. WEBER. Thank you, Mr. Chairman.

Mr. Chairman, I am here to testify on behalf of Congressman Coleman's initiative, H.R. 2026, as well as other rural development initiatives.

I know that the subcommittee has spent a great deal of time on this issue, and Congressman Coleman is certainly the foremost expert in Congress on it. Realizing that you have a lengthy schedule of witnesses today, I would ask that my testimony be submitted in the subcommittee record, and I will summarize my remarks.

Mr. JONES of Tennessee. We're very pleased that you will summarize. Your statement will be made a part of the record.

Mr. WEBER. Thank you, Mr. Chairman.

First of all, Mr. Chairman, I want to commend both you, Chairman Jones, and Ranking Minority Member Coleman, as well as all the members of the committee, for their leadership on this critical issue.

My district in southwestern Minnesota is by some measurements the most rural congressional district in the country. The largest community in my district is less than 15,000 people. I don't have any of the large metropolitan centers such as Congressman Grandy has with Sioux City. All my towns are pretty small. I come myself from the community of Slayton, Minnesota with a population of 2,300 people, or a little less than that actually. I feel very keenly the need for a strong emphasis on rural development in this Congress and in this subcommittee.

As I have said, my testimony addresses some of the specific Coleman initiatives which I have had the privilege of working on for over a year now. I just want to make three important points, all of which are aimed at stressing the fact that now is the time to act on this initiative. I believe that it is critical that we act on this initiative.

The first reason that now is the time to act on this initiative in my judgment is that our rural communities are ready to take advantage, Mr. Chairman, of the tools that we can provide to them at the Federal level. I would contrast that with the situation I saw in my district at least over the last year or two, when rural communities were understandably traumatized by the magnitude of the economic problems that beset them as a result of the collapse of the farm economy.

In my home town of Slayton, my father was involved in the development of the Slayton Industrial Development Corporation over 20 years ago. Businesses that they attracted were not able to survive over a long period of time.

In my district, those communities that have some diversification to their economies have managed to weather the farm depression of the last couple of years far better than those communities such as my home town that have an economic base solely dependent on agriculture.

The last couple of years, as I have said, I think the rural community has been somewhat traumatized. Now as I travel around my district, I see that those people who are leaders in their communities are anxious to go to work to rebuild their communities, to rebuild their economic base. The tools that we provide them right now will be utilized far more effectively, far more ambitiously, far more aggressively than tools that may have been provided a year ago or 2 years ago.

The second reason that now is the time to act, as my colleague Tom Coleman pointed out in his testimony, is that we now have a bipartisan consensus in favor of rural economic development. We have had on the Republican side a rural development task force of which Tom Coleman has been a leader and I have been a member for the last year and a half, but the Coleman initiative, H.R. 2026 has a strong, bipartisan support and this subcommittee has, of course, been in the forefront of providing that bipartisan support.

I am this term assigned to the Appropriations Committee. It's my first term on the Agriculture Appropriations Subcommittee. I,

of course, can't speak for anybody on that subcommittee but, as you know, Mr. Chairman, Chairman Whitten has a very direct interest in rural development, and the name of our subcommittee—apropos of what Tom Coleman is trying to do at the Department of Agriculture—is the Subcommittee on Agriculture and Rural Development. Initiatives that are passed out of this committee to the Congress of the United States are going to receive a very favorable hearing, I can assure you, in our subcommittee and the full Appropriations Committee.

Finally, now is the time to act because I believe that we have a more favorable atmosphere in the White House in this administration than I have seen in some time. Congressman Coleman, Congressman Gunderson, myself, and several others met about 2 weeks ago with Senator Baker—the new White House Chief of Staff—Secretary Lyng, and other members of the administration. I think that we have a more receptive attitude in the White House to rural development initiatives than at any time since I have been a Member of Congress these last 6½ years. I'm pleased to see we're going to have Deputy Secretary Myers testifying before this subcommittee in a few minutes. I don't want to anticipate his testimony, but I want to thank the Department of Agriculture for their open and supportive attitude in dealing with members of our task force on this and other initiatives. That's the final reason why I believe now is the time to act, because I believe we can get some favorable action from the administration on certain rural development issues.

Finally, Mr. Chairman, let me say that although I have addressed in my remarks and in my written testimony H.R. 2026, the Coleman initiative, I want to say that most of us—all of us—from rural districts stand ready to work cooperatively with you on any rural development initiatives such as your bill, H.R. 1800, or others the subcommittee may act favorably upon. Truly, this is a bipartisan issue in a Congress that may otherwise be somewhat divided along partisan lines, and now is the time for us to act in a bipartisan manner to address the problems of rural areas.

I thank you for your time, Mr. Chairman, and I will be glad to answer questions, if there are any.

[The prepared statement of Mr. Weber appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Vin. I'm appreciative of your interest in coming over here and giving us your thoughts, and for what you've done with Tom Coleman in developing his bill and the support that you and Steve and others have given his legislation that he proposes.

We will probably invite you back to be with you some before we finalize whatever we may do, but we will forego any questions this morning.

Mr. WEBER. Thank you very much, Mr. Chairman.

Mr. COLEMAN. Thank you for coming. Of course, your leadership is always welcome in this committee, and especially as we develop these proposals I have really enjoyed working with you and having your insight to meet the many problems that face us. I'm glad that you're here today.

Mr. WEBER. You deserve a lot of credit, Tom, for being ahead of this issue, more than just about anybody in the Congress, and I think now rural America is where you were about a year ago. If we can get the rest of the Congress where we are now, I think we could really do something good for rural America. Thank you.

Mr. JONES of Tennessee. We have a vote on at the present time. The subcommittee will recess and return. The Honorable Peter Myers will be our witness at that time.

[Recess taken.]

Mr. JONES of Tennessee. The subcommittee will be in order.

Mr. Myers.

STATEMENT OF PETER C. MYERS, DEPUTY SECRETARY, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY LAVERNE AUSMAN, DEPUTY UNDER SECRETARY, SMALL COMMUNITY AND RURAL DEVELOPMENT; HAL MANDERS, COCHAIR, NATIONAL ADVISORY COUNCIL ON RURAL DEVELOPMENT; AND ERIC THOR, ASSOCIATE ADMINISTRATOR, FARMERS HOME ADMINISTRATION

Mr. MYERS. Mr. Chairman, I have a lengthy written statement which I will submit for the record. I will attempt to summarize my statement, if it is agreeable with you.

Mr. JONES of Tennessee. Your entire statement will be made a part of the record, without objection.

Mr. MYERS. Thank you.

I do compliment you and your subcommittee members for your obvious very deep interest in this subject of rural development. As you know, just a few days ago we observed the 125th anniversary of the founding of the Department of Agriculture. When that Department was founded by Abraham Lincoln, he talked about the people's department. Of course, we like to think of it as the people's department.

We look back and just a few years ago you find that the farm population found itself in a downswing that, as we well know, produced a severe cost-price squeeze for many people. With massive Federal Government assistance, it's now beginning to recover from these difficult years. The Food Security Act is helping to make our farm products competitive in world markets, as it was intended to do, and it is infusing capital into our agricultural systems. As a result, many of our economic signs are pointing up.

While keeping the farmer in mind, the people's department must now turn its attention to the farmer's neighbors—to Main Street, USA, to small town, USA—those neighbors that buy the farmer's products and sell most of those materials that he needs to produce those products.

Obviously, as you know, all of the help that we have been giving to farmers is also important to rural communities in general because when we infuse capital into the agricultural community, it turns over in those smaller communities.

All parties with an interest in the future of rural America have to look at strategies that will diversify the rural economies. Planning officials at all levels of government, plus private industry, must look for economic activities that fit in the rural community.

You have recognized this, Mr. Chairman and Mr. Coleman and members of the subcommittee, in the forms of the legislation that we're considering today.

This administration has carried out many of the programs over the past 6 years that have aided rural America. I'd like also to supply for the record just a few of these contributions which are listed in my written statement.

The administration's commitment to rural America is based on a recognition that change is going to continue and that we cannot limit our vision to the financing of a few industrial parks that may never fulfill their promise. However, we must not confuse our role as a partner in this undertaking nor should we mislead people in their expectations. The most important role will be that of the people making their decisions, allocating their resources, using their own ingenuity and setting their own horizons. The Federal Government will be an active and willing associate, working with the people and their local institutions, both public and private.

About 6 months ago the President established the Task Force on Rural Communities consisting of 20 high-ranking Government officials, chaired by the Under Secretary of Agriculture for Small Communities and Rural Development. This task force cuts across all Federal agencies having rural responsibilities. The task force recently made a report to the Economic Policy Cabinet Council at the White House with recommendations for action by all Federal agencies.

USDA has taken the lead in the Federal Government, and today we are announcing a Department six-point rural regenerative initiative. The first one of these steps—and I will, here again, summarize—deals with the Extension Service, which has a nationwide staff in place. They will place additional priority emphasis on rural revitalization education. A product of their work that really highlights this is this booklet put out by the Extension Service called "Revitalizing Rural America." It's an excellent book. It not only has a good-looking cover, but it has excellent contents. We will furnish these to the committee.

Mr. JONES of Tennessee. Let's make that a part of the exhibit to your statement, Peter.

[The publication is held in the committee files.]

Mr. MYERS. All right.

The second point is that we intend to establish rural enterprise teams consisting of four or five specialists who will be organized to go, on call, to communities, to counties in States. These will be State-level enterprise teams.

The third point is to establish an information clearinghouse at the national Ag Library with an 800 telephone number. Rural community officials will be able to get up-to-date information about Federal programs available to them in a single phone call.

Fourth, we will instruct all USDA agencies with a research mission to increase their efforts devoted to rural economic development.

Fifth, to insure that this rural rebuilding is given the priority it deserves, its overall direction and coordination will be placed in the Deputy Secretary's office.

Sixth, we will redirect the Farmers Home Administration fiscal year 1987 business and industry guaranteed loan program so that we can begin to do things immediately at a lesser or lower level of dollars than originally had been the concept of this particular guaranteed loan program.

In addition to these six initiatives, appropriate personnel within the USDA will look into the potential of further contracting and procuring for rural businesses. Mr. Chairman, our proposal can be done within the President's budget and the Gramm-Rudman-Hollings deficit reduction targets.

We do support the concept of H.R. 2026 and have embodied several of its aspects in our six points. However, we do oppose renaming the Department of Agriculture and oppose having a special assistant to the President on rural policy. Our opposition in each case is based on both philosophical and practical grounds.

We also must oppose rural block grants on the basis that most of the program sources of funding for rural block grants have been proposed for termination in the President's fiscal year 1988 budget.

We do want to reiterate, Mr. Chairman, that we in the administration care. We are committed to work with you and the committee to assist rural America.

Mr. Chairman, thank you for your time and courtesy. That concludes my statement. We'll be happy to answer questions.

[The prepared statement of Mr. Myers appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Peter, for a very fine statement. I'm glad to see that you have outlined the update that you're doing t[illegible]ith the Extension Service. This is very vital for what we a[illegible]ng to do here.

I think we will forego any questions to you and take the privilege of contacting you in case we need to ask you specific questions.

Mr. MYERS. That will be fine.

Mr. JONES of Tennessee. I yield to Mr. Coleman.

Mr. COLEMAN. Mr. Chairman, thank you.

I really don't have any questions, either, but just a comment or two. I'm glad that the administration is supportive of our efforts, or certainly in general I think very substantively you are supportive of those. In fact, your six points—I just was trying to keep track of them—I see four of them in our initiative. I think that's very fine, to be able to work together on this.

We have been working with the administration. Although I did not know what the administration was going to say specifically today, we are just asking them to give us a chance to present a new, nontraditional response to a need out there. I'm glad to see that they are willing to embark on a similar course with us, because it does take a different tack than I think we have seen in the past. While I would hope that eventually we would have their support on our entire bill, I think we have brought them a long way today to where they have made a fine contributing statement to this. We want to work with the administration in this effort.

I thank you, Mr. Myers, for coming here today.

Mr. MYERS. Thank you, Mr. Coleman.

Mr. JONES of Tennessee. Thank you very much, Peter.

Does anyone else have a question they would like quickly to ask Peter?

Mr. GRANDY. Does he have time?

Mr. JONES of Tennessee. We have a time problem.

Mr. MYERS. I have time, but I don't know about your time.

Mr. JONES of Tennessee. We've got a time problem. Go ahead.

Mr. GRANDY. Mr. Chairman, if I could?

Mr. JONES of Tennessee. Go ahead.

Mr. GRANDY. I have no question. I just want to applaud Mr. Myers for bringing the Extension Service into this consideration. It seems to me we have a tremendous capability there and a resource that we have not used, particularly when we address the education aspect, which is going to be an important component here, and also, in referring to Mr. Coleman's testimony, a part of his initiative to establish rural technology and training centers. It seems that the logical source of those training centers would be our Extension Service and our universities. I am pleased the Department is taking the lead in this.

Thank you.

Mr. JONES of Tennessee. Steve.

Mr. GUNDERSON. Thank you, Mr. Chairman.

I have a couple of questions but, first of all, a comment. Mr. Myers, I suppose this is going to get me in trouble, and it's not meant to do that, but I'm a big believer in the Extension Service but I would hope that if we are going to utilize the Extension has the main delivery and support staff throughout this country that perhaps we need to do within the Department a rather significant reorganization and review of Extension's mission.

I think there is a perception out there that the role of Extension is first and foremost to work with the farmer and the farmer's problems and management on the farm, and, secondly, the Extension will be focused on such complementary organizations as 4-H, our homemakers' clubs, and that type of thing.

Third, if the county has the resources and the time, they may or may not have the development agency within that county extension program. All I'm suggesting is that if you're going to utilize Extension as the major delivery tool in rural counties, I think you need to seriously review the present mission, the present personnel, and their training. This is saying nothing against the people who are there—they are very good people—but I'm not sure their mission today is understood by them as you had suggested it ought to be in your testimony.

I would appreciate it if you would expand for us or compare, if it is possible—Mr. Coleman's bill includes rural development loan funds. Can you compare that with the business and industry loan program that you presently have? How do you understand that they would interact or complement each other?

Mr. MYERS. Well, I can't tell you exactly how they would interact, but I can tell you what we intend to do with our business and industry loans for 1987. Heretofore, they have been large loans of several million or many millions of dollars. We would like to break these down into smaller units where we could stimulate economic development in several communities, say a half a million dollars or

maybe a million, where we could spread this money over many more counties than we have before now.

Those loan guarantees are used for big developments. An example in the past would have been ethanol plants or something like that. We would rather have small industries starting up and we would like to use this for seed money for these types of industries.

Mr. GUNDERSON. You have moved significantly into the area of guaranteed loans in the agricultural area.

Mr. MYERS. That's right.

Mr. GUNDERSON. Have you considered utilizing loan guarantees through the business and industry and rural development side as well?

Mr. MYERS. Yes, we're doing that now.

Mr. GUNDERSON. That's an area we want to significantly expand. It won't cost you a lot of money, but it will allow us to get a lot of help out there.

Mr. MYERS. That's exactly right.

Mr. GUNDERSON. One final question in this area. Congressman Coleman again advocates rural investment and incentive block grants, et cetera. How do you compare and contrast that with the present community development block grant program in your understanding?

Mr. MYERS. I'll let the experts answer that. Can you answer that, LaVerne or Eric?

This is Mr. Eric Thor who is the Associate Administrator of FmHA.

Mr. THOR. Currently, we have a number of programs in the community field. We find those work very well in terms of providing for individual projects in the communities in all 48 States. As of this date, we're approximately 50 percent committed on the total funds for 1987.

Mr. GUNDERSON. One final comment: I'm going to be submitting to the White House this afternoon—and will submit to you as well—a copy of a rather comprehensive review of the present formulas which have an antirural bias. You include within your testimony on page 4, for example, a comment about the President's $980 million Worker Readjustment Act. While I'm a strong supporter of that, I have to tell you that we're facing real challenges in getting that money into rural America. No. 1, we distribute retraining funds based on unemployment statistics. Unemployment statistics do not accurately count displaced farmers. They don't count at all the displaced farmer's spouse or son or daughter. We've got major problems in those kinds of delivery services.

What we badly need out of the Department of Agriculture is some kind of an advocacy that will work with those of us from a rural area without spending one new dime, but simply assist us in getting changes in everything from highway aid formulas to the cost-benefit ratios in public works programs, to the rural health care delivery services, to job training and education formulas. If we can get that kind of assistance, we are going to make a big change without spending money.

Mr. MYERS. We would be happy to look at that. We've asked our FmHA State directors to look at these formulas, and we'd really appreciate your input.

Mr. Chairman, can I say one more thing to Mr. Gunderson?

Mr. JONES of Tennessee. Yes.

Mr. MYERS. The Extension is in the process of really re-examining their priorities in all States and at the Federal level. As you know, it's a State program, but most States are really re-examining their role, just as you have suggested.

Mr. GUNDERSON. Thank you.

Thank you, Mr. Chairman.

Mr. JONES of Tennessee. Thank you, Steve.

Mr. Tallon?

Mr. TALLON. Thank you, Mr. Chairman. I don't have any questions. Mr. Myers, I thank you for your testimony.

I would just like to say if, as you indicate, you are going to use the Extension Service to deliver some of these revitalization initiatives that you've outlined for rural areas, it's going to be imperative that you communicate that to the Extension Service. As my colleague Mr. Gunderson said, these are very good people, but they're going to have to understand what you're talking about and you're going to have to work very, very closely with them if you're going to see any success in this area.

Thank you.

Mr. MYERS. I appreciate that comment. Mr. Myron Johnsrud, the Administrator of Extension, is sitting right behind me. I am sure he heard both of you gentlemen loud and clear.

Mr. JONES of Tennessee. Well, you're going to hear the third one. [Laughter.]

I want to do the same thing, Pete. I want to emphasize—I see some change taking place in my own State, but Extension has a habit of sort of easing up as time moves on and they get involved in different things. But I think if we're going to save rural America—and that means Extension as well because we'll have no use for them if it goes—they need to really be on the ball when it comes to doing something about this.

Mr. MYERS. I completely agree with you.

Mr. COLEMAN. Mr. Chairman, if you would yield?

Mr. JONES of Tennessee. Yes.

Mr. COLEMAN. I think the Extension Service has done an outstanding job in this area under the 1440 program. We're going to hear about that later on. They were doing some of these things before we started moving into action a year and a half, 2 years ago. They saw a need out there and they were putting things together with gum and band-aids to try to put something together to aid these families that nobody else was aiding. The Extension Service was the first one, the people in the trenches on that front line who saw it and started to put together viable volunteer, no-money alternatives that we've now supplemented. They're doing a very good job in the State of Missouri implementing, with the intent of the author of that section on helping families.

I want to commend the Extension Service. Very frankly, they ought to be given additional funds instead of suggesting having them be cut back. That's where they really need the assistance.

Mr. JONES of Tennessee. Thank you very much, Tom.

Thank you, Peter, Mr. Thor, Mr. Ausman, and Mr. Manders. We appreciate all of you being here.

The next panel consists of five people: Mr. Norm DeWeaver, representing the Center for Community Change here in Washington; Mr. Roy Palk, executive director of operations, National Rural Electric Cooperative Association here in Washington; Mr. Jack Cassidy, vice president of rural utility relations, Central Bank for Cooperatives, Denver, Colorado; Mr. Jeff Fox, vice president of legislation, Communicating for Agriculture, Fergus Falls, Minnesota; and Mr. Jeffrey H. Schiff, executive director for the National Association of Towns and Townships in Washington.

Gentlemen, we're delighted that you're here. We need your help. No doubt, your interest needs this subcommittee's assistance as well. We want to hear from you and take the privilege of asking you some questions when you have finished.

We'll begin with Mr. Norm DeWeaver, representing the Center for Community Change here in Washington.

Mr. DeWeaver.

STATEMENT OF NORMAN C. DeWEAVER, REPRESENTING THE CENTER FOR COMMUNITY CHANGE

Mr. DeWeaver. Thank you very much, Mr. Chairman.

My name is Norm DeWeaver. I am with the Center for Community Change, which is a private, nonprofit, technical assistance and public policy organization which for 20 years has served community-based groups in many low-income areas throughout the United States.

I appreciate the opportunity to appear before the subcommittee. I commend the committee for its willingness to take a new look at the development challenges facing rural areas. I really, really hope that this will lead to a new start toward a more active Federal role in rural development.

In the interest of time, Mr. Chairman, I'd be happy to submit my statement for the record and attempt to highlight some of the things that I think are key points.

Mr. Jones. Without objection, the entire statement will be made a part of the record. You may summarize.

Mr. DeWeaver. I think the committee has a number of worthwhile proposals under consideration. However, to me and to a lot of community people I know, the most important task is not debating the merits of any of the possible approaches. The most important task is really making a fresh start by actually adopting one or more doable ideas, ones that are likely to be funded, ones that are likely to lead to immediate action in local communities in adopting them now.

I would suggest that H.R. 1800 has those characteristics, and the programs in it are oriented toward that end. They would make a doable start now. The programs are all action oriented. The assistance would go directly to local communities and local community groups, where assistance is really needed. The programs would help address the needs of such groups and help them to expand their capability.

The price tags are low. They're ones that the Federal budget can bear. We urge the committee to use this bill as a vehicle to make a new start in providing Federal assistance.

In many respects the central program in H.R. 1800 is the business of the grant approach in section 3. I submit that you can't stimulate development, particularly in economically distressed rural communities, without helping developers and the local community leaders and the local community groups that can make things happen. The section 3 grant program provides the potential to sustain the public purpose, private nonprofit or public agencies that can help to actually make their communities grow.

These grants would make it possible for such community development organizations to explore new business ideas, to tap local resources, to find and help and train local business people who can translate those ideas into reality and work to mobilize the capital for them.

The bill, as you pointed out in your opening statement, Mr. Chairman, also provides for a modest increase in business financing capabilities of the rural development loan fund, the RDLF. The RDLF has a major advantage which other Federal approaches, including the current D&I program, do not have. They enable the money to go to intermediary groups that are private, that take the project selection responsibility out of Federal hands, and that can work with the speed which only private institutions can. H.R. 1800 would make a valuable contribution by augmenting the capital available to the RDLF.

I would also like to commend the committee's attention to one other small but very important innovation in the rural community development field, and that is an attempt to expand the horizons of the water and waste water programs, particularly the water program that's now in the Farmers Home Administration. H.R. 1800 provides for $10 million in authorization to enable local community organizations to try different ways to insure that rural people that now lack basic safe drinking water services in rural areas get them. This is particularly important for isolated families and very low-income families that are currently beyond either the geographic or the economic reach of the type of central system facilities which Farmers Home now supports.

This program would also recognize the fact that in some communities, especially the smallest, the problem is not necessarily one of building new facilities. This program would also speak to the management needs of the small water utility systems that are there.

With respect to H.R. 2026, there are a number of doable, action-now programs in that bill which I would certainly like to support. They include the rural technology grant program in title III and the agricultural action centers program in title IV. They are precisely the kind of thing that would make a contribution and help people where help is needed.

With respect to several of the State initiatives, I think we should look carefully at what State governments are currently doing and try to provide an incentive for them to do more.

On the block grant side, I think, as Mr. Gunderson pointed out, we should look very carefully at the experience of the program that's already there, the HUD Community Development Block Grant Program, particularly the things that happened in that program when it started.

I would suggest that perhaps there are more cost-effective ways to get the money targeted on communities that need help the most at a smaller commitment of total Federal resources than simply adding one additional block grant program to the Federal catalog.

One final point with respect to the reorganization provisions for USDA in H.R. 2026: I certainly support the notion of emphasizing rural development as part of the Department's mission. However, reorganization can take time and cost money. I'm reminded of the fact that a year and a half after the 1985 farm bill was passed Farmers Home has yet to implement some of the water-sewer provisions in that bill. I think we need to look at what we can do right now and make a new start toward community development.

Thank you, Mr. Chairman. I would be happy to respond to any questions.

[The prepared statement of Mr. DeWeaver appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. DeWeaver, for a very fine statement. We will give serious consideration to what you have to say here as we move on.

The next gentleman is a Tennessean, a good friend of mine who has moved to Washington to be with the National Rural Electric Cooperative, Mr. Roy Palk, who is now executive director of operations for NRECA.

Mr. Palk, you may proceed.

STATEMENT OF ROY M. PALK, EXECUTIVE DIRECTOR OF OPERATIONS, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. PALK. Thank you, Mr. Chairman.

My name is Roy Palk. I'm executive director of operations for the National Rural Electric Cooperative Association. It is my pleasure to appear before this group this morning on behalf of almost 1,000 electric cooperatives across 46 States who represent over 25 million consumers.

If the chairman will allow me as a preliminary matter, I would like to introduce a statement from a friend of ours, Mr. Jim White, manager of Gibson-Kenney Electric. If there is no reservation, I would ask that this be entered into the record as Mr. White's statement on this matter.

Mr. JONES of Tennessee. Without objection, Mr. White's statement will be made a part of the record.

[The prepared statement of Mr. White appears at the conclusion of the hearing.]

Mr. PALK. Thank you, Mr. Chairman.

The role of the rural electric cooperatives has not been a static one in the past numbers of years. For example, during this past year we've been involved in many things other than providing reliable electric service. For example, we've been involved as a part of our involvement with our people in the rural areas through sponsorship of local health fairs. Also in the involvement and the development and implementation of the National Rural Telecommunications Cooperative. That cooperative will provide satellite-based tele-

communications services for consumers who need education and business applications in the telecommunications field.

Another area that we've been involved in is new initiatives in economic development programs in the rural areas, including the development and dissemination of a how-to manual in regard to rural development.

These programs I've mentioned do not take into account numerous other ways that electric cooperatives have been on their own providing initiatives and assisting our consumers in the vital role that rural electric co-ops can play in a nationwide community and economic development effort.

Since the 1960's rural electric systems have been involved in community and economic development efforts that have created nearly 1 million new jobs. Recently in NRECA held a series of four hearings across the United States and a message came clear to us, and that is that we must become more involved in community and economic development; that our member systems must be catalysts for development.

Mr. Chairman, REA is a critical partner in these continued efforts. The matter of expanding REA's role into rural economic development is one that has been intensively studied by NRECA. REA is and should continue to be the solid foundation upon which rural electrification is built. We are pleased to hear that the committee shares this view and we very much appreciate the committee's leadership in this area. We also appreciate the committee's continuing strong support for the concept of a Rural Electrification Administration that is relentlessly aggressive in seeking solutions to the very serious problems facing our Nation's rural areas, and by extension affecting our Nation's rural electric cooperatives.

The Federal agency REA already has a longstanding relationship with one of the major components of the rural communities, and there is the commitment certainly on the part of the rural electric cooperatives, and most probably among the professionals at REA, to make these programs work and to produce the jobs and economic stimulation our rural areas so desperately need.

It is essential that any rural development program incorporate the same Federal-community partnership that has made rural electrification so successful. We strongly believe that this same relationship is absolutely critical if Federal rural economic development programs are to be effective. We have found that it is extremely difficult for communities to get needed plants and loans because they are directed and dispersed by several different Federal agencies. There is no single, ready source or expertise available for the part-time, small community administrator what is available and how to get it.

In these communities the rural electric cooperative is in a position to serve as a catalyst for economic and community development efforts. In these communities the rural electric cooperative is in a position to provide the needed information and, more importantly, to assess Federal funding sources needed to revitalize and regenerate the economy of rural America. This concept provides what we believe to be the most vital solution to invert the pyramid by placing these small grassroots communities at the top so that

economic and community interests and concerns provide the motivation for improvement activities. This network is already in place.

To get to the heart of the matter, the reason the rural electrification program has been so successful is because it is a Federal program that is locally implemented, locally operated, and locally controlled. The programs in which the Federal Government and a local community form cooperative working partnerships to accomplish a specific objective have proven to be exemplary models of how other such programs could work. Therefore, a special blue ribbon panel of rural electric leaders is studying the expansion of the role of the REA to include economic development activities and expanding the mission of rural electric systems throughout the Nation that include community and economic development.

We have some specific recommendations, Mr. Chairman, which the Congress might wish to examine in order to forge the effective, sustained, working relationship between local communities. Among these are consideration of legislation to mandate the consolidation and simplification of rural development programs under one roof by accommodating liens of other lenders to facilitate electric cooperative financing required for rural development projects, using rural electric cooperatives and their proven network of generation and transmission and statewide associations as catalysts for initiation of economic development plans.

Because of the difficulty in financing rural development projects, we recommend not only a more conducive loan accommodation policy, but the creation of a rural development bank which would guarantee loans and become a secondary market for local banks.

There is a need for a federally-created finance bank which deals in secondary markets and pool the projects to assist local banks to finance start-up businesses and infrastructure projects and development.

Mr. Chairman, I have submitted to the committee a more complete statement of what we have to say. This is a summary of what's in that statement.

I appreciate the opportunity to appear and would be happy to respond to any questions either now or later.

[The prepared statement of Mr. Palk appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Roy. We will complete the panel before we ask questions.

The next witness is Mr. Jack Cassidy, the vice president of rural utility relations, Central Bank for Cooperatives, Denver.

We are delighted that you're here, Mr. Cassidy. You may proceed.

STATEMENT OF JACK CASSIDY, VICE PRESIDENT AND MANAGER, RURAL UTILITY RELATIONS, CENTRAL BANK FOR COOPERATIVES, ON BEHALF OF THE FARM CREDIT SYSTEM'S BANK FOR COOPERATIVES

Mr. CASSIDY. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before the subcommittee to address the subject of rural development this morning.

My name is Jack Cassidy. I am vice president and manager of rural utility relations with the Central Bank for Cooperatives in Denver, Colorado. I am appearing here today on behalf of the Farm Credit System's 12 district banks for cooperatives and the central bank.

The 12 district banks for cooperatives and the Central Bank for Cooperatives provide financial services to about 3,000 agricultural cooperatives and rural utility systems. Banks currently have about $8 billion in loans outstanding. Their payment record has been very good despite the problems in the agricultural economy. During 1986 about $4.6 million in loans were charged off.

Agricultural cooperatives and rural utility systems and the credit programs they depend on have a significant effect on the rural economy. For example, the latest information available shows that the 70 largest borrowers of the Banks for Cooperatives have total annual sales in excess of $33 billion and assets of $28 billion. The latest Fortune 500 list of industrial enterprises includes 15 agricultural cooperatives, 14 of which have a banking relationship with the Bank for Cooperatives. These 15 agricultural cooperatives have about 60,000 employees nearly all located in rural areas.

These statistics demonstrate the important economic contribution being made by the borrowers of the banks. These statistics also indicate the significant role the banks and our borrowers could play in contributing to the revitalization of rural America.

Like our Nation's farmers, many cooperatives and utility systems, and the banks as well, are taking steps to adjust to the changes taking place in the rural economy. As agricultural cooperatives and rural utility systems adjust to today's economic environments, they have new and somewhat different financing requirements.

For example, agricultural cooperatives and some rural utility systems, especially telephone systems, need to diversify and bring in new capital to strengthen their operations. This can be accomplished by forming subsidiaries, joint ventures, or partnerships to initiate new business activities, activities that are sometimes different from the original business but related to serving the needs of member-owners.

If adequate capital is available, new business activities would create jobs and economic expansion in rural areas while strengthening the agricultural cooperative or utility system. Unfortunately, the farmer-owners of many of these organizations do not have the capital necessary to initiate new businesses. This problem could be overcome by utilizing capital from other sources. However, the Banks for Cooperatives lending authorities currently prohibit the financing of subsidiaries or partnerships that include capital investments from ineligible entities. I will provide the committee with two specific examples.

A large agricultural cooperative in the Southeast which has traditionally been involved in providing fertilizers, pesticides, and other chemical inputs is in the process of building a papermill. This diversification is necessary because the demand for agricultural chemical products has declined significantly. The mill will be located in an area with an unemployment rate in excess of 16 percent. The papermill will be using proven, high technology and will

eventually employ about 800 workers. The mill will require a capital investment of about $300 million.

The project has been in the development stages for several years, and the Banks for Cooperatives have been the lead lenders from the very beginning. This is a good project from every perspective. However, it could be made better.

Several of the 41 newspapers which have already contracted to purchase paper from the mill would like to purchase an equity interest in the venture. The advantage to the agricultural cooperative of entering into a partnership arrangement would be to lower the risk of its member-owners, strengthen the financial condition of the project, utilize a wider variety of expertise, and eventually allow for a larger operation that would employ perhaps an additional 500 workers. However, under current law the Banks for Cooperatives can finance only wholly-owned subsidiaries of an eligible borrower. We do not have the authority to provide financing for the partnership just described.

In this instance, it is likely that the agricultural cooperative will be prevented from taking the best course of action from a business and economic development perspective simply because its long-time lender, the Banks for Cooperatives, cannot finance a subsidiary or partnership that includes equity investments from entities ineligible to borrow from the banks.

The second example: a group of rural telephone systems, most of them individually eligible to borrow from the Banks for Cooperatives, is seeking to finance a Statewide rural cellular telephone project. If this proposal is successful, it would help strengthen the operation of independent rural telephone systems and provide what is rapidly becoming an essential service to rural areas. Yet, the Banks for Cooperatives are unable to provide the financing for this partnership.

These two cases are just a sampling of the steps agricultural cooperatives and rural utility systems are taking to diversify and strengthen their operations. These types of adjustments to today's economy are not only the result of good business decisions, but have the added benefit of creating jobs and bringing new capital into rural areas.

As a primary lender for many of the agricultural cooperatives and rural utility systems that are making such adjustments, the Banks for Cooperatives are being called on to provide appropriate financial services. The Farm Credit System is considering a legislative proposal to clarify the Banks for Cooperatives' lending authorities to finance partnerships, subsidiaries, and other ventures provided that an eligible borrower or group of borrowers maintains a majority interest or control of the operation. Such a clarification of the Banks for Cooperatives' lending authorities would promote economic development in rural areas, strengthen the financial condition of our borrowers, and do so at no cost to the Federal Government.

I want to commend this committee for considering ways to improve economic conditions in rural America. The Farm Credit System's Banks for Cooperatives are well situated to play an important role in helping to revitalize rural America and we look forward to that challenge.

I appreciate the opportunity to present our views on this subject and would be happy to respond to any questions. Thank you, Mr. Chairman.

[The prepared statement of Mr. Cassidy appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Cassidy, for a statement that we consider to be very worthwhile and helpful.

The next witness is Mr. Jeff Fox, vice president of legislation, Communicating for Agriculture, Fergus Falls, Minnesota.

Welcome, Mr. Fox. We're delighted that you're here. You may proceed.

STATEMENT OF JEFFREY J. FOX, VICE PRESIDENT OF LEGISLATION, COMMUNICATING FOR AGRICULTURE

Mr. Fox. Thank you, Mr. Chairman. I'll paraphrase my remarks in the essence of time.

I'm Jeff Fox, vice president of legislation for Communicating for Agriculture. I am here on behalf of CA.

Communicating for Agriculture is a national, nonprofit, nonpartisan organization whose members are primarily farmers, ranchers, and small business people. CA has over 40,000 members nationwide and members in over 45 States.

CA has been involved in a number of issues affecting the quality of life in rural America. We've been involved at the State and national levels on such issues as beginning farmer programs, debt restructuring, and is recognized as an expert on health risk pools.

We believe that rural America can provide the workforce, the quality of life, and the opportunity for growth in new and expansion of existing small businesses. Rural America has a highly-qualified, trainable, and willing workforce.

With the growth of high tech and service industry jobs, the workforce is no longer required to live in large metro areas. Thus, rural America's quality of life can now be attained.

Small businesses, which fit well into rural America's landscape, continue to provide more and more of our new jobs.

On page 2 of my prepared remarks you will see a comparison of small businesses versus larger businesses. Looking at the bottom half of that, it will focus on 1980 to 1984. We see that small businesses provided more than two new jobs for every one job provided by large businesses. These figures were provided by the National Federation of Small Business.

In September of 1986 CA started working with the Under Secretary's Office of the Department of Agriculture on a rural development program created by section 1323 of the 1985 Food Security Act. This program is designed to benefit rural America, designed to provide guaranteed loans and grants to development in rural communities.

CA in the past has had great success as a clearinghouse of information on various subjects on a State-by-State basis. Since April, Communicating for Agriculture has been working and gathering information and data about State development programs.

We have found in our initial contact with the States that there are as many programs as there are States. For example, State A

may call their program "Jobs Development;" State B may call theirs "Economic Development;" State C may have some other name or heading for their program. It is very confusing.

We have provided to the committee an initial summary of what we have found at the State level. With regard to Mr. Myers' remarks here earlier, we believe that the clearinghouse of information is very crucial.

Currently CA is working on a model for rural development. We are looking at communities that have had success in creating new economic opportunities. We hope to have this model completed in the near future. We will then make the model available to others who are trying to create new economic opportunities in rural America.

Because State programs do vary, we believe that any Federal programs involving rural development need to be flexible in order for each State to adapt. We recognize that when an entity appropriates money for a specific program or project they will have to have some type of control on how that money is spent. However, it is widely accepted that local input, implementation, and control are needed in order for economic development projects to be successful.

Mr. Chairman, members of the committee, there have been discussions and proposals to bring existing and/or new rural development proposals under control of one agency or entity. We support this effort. We see the same thing taking place at the State and local levels. These actions have eliminated much of the confusion and provide better all-around information and services.

In talking with State economic development officials, it has become clear that they believe that expansion and start up of new and existing businesses will be created from local areas—i.e., 50 to 100 miles in radius—through local ideas and through local people. One of the elements to insure success at the local level is for the leaders to have access to information. In order to acquire this information, they need research. In order for the research to take place, they need funds.

New jobs must be created in rural America today. We do not believe that moving a business from one State or community to another creates new jobs. We believe that new ideas create new jobs. Unfortunately, these new ideas are untested and thus there is an element of risk involved. Because of the risk involved, there is a need for risk capital, risk capital being those monies that can be used to start up new businesses that pose a risk. Most conventional lenders are unlikely to provide funding of these new businesses based on new ideas.

This is an area in which the government—whether that be local, State, or national—can play a very important part. This can be done with loan guarantees and/or grants.

We do believe that the work that is being done by this committee is crucial to rural America. This committee's work and hearings such as this help draw and focus the public's attention on the needs of rural America. All of us know that the need for rural development is very real and in it lies the future of our rural communities.

Mr. Chairman, members of the committee, as I stated earlier, we look forward to working with you on what we believe is a long-term project. One of the benefits of being a nonprofit, nonpartisan organization is that we sometimes can work in areas that others cannot. We feel that this is a very useful tool, not only to our membership, but also to those entities and groups that we work with.

I know that we are pressed for time, and I have tried to keep my remarks brief. I will be happy to answer any questions that you have.

I want to thank you and the members of this subcommittee. We appreciate the time and effort that you have put forth on behalf of rural America.

[The prepared statement of Mr. Fox appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Fox, for a fine statement. No doubt we will be calling upon you for advice as we move on into the final days.

Mr. FOX. Thank you, Mr. Chairman.

Mr. JONES of Tennessee. The next and final witness on this panel is Mr. Jeffrey H. Schiff, executive director, National Association of Towns and Townships in Washington.

Mr. Schiff, welcome. We're pleased that you would come. You may proceed.

STATEMENT OF JEFFREY H. SCHIFF, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS

Mr. SCHIFF. Thank you, Mr. Chairman.

My name is Jeffrey Schiff, the executive director of the National Association of Towns and Townships. Our organization represents more than 13,000 mostly small, mostly rural communities across the United States.

Mr. Chairman, we'd like to thank you and Mr. Coleman and other members of this committee for your obvious interest in the plight of small town America. With your permission, we'd like to summarize my remarks and submit it for the record in its entirety.

Mr. JONES of Tennessee. Without objection, it will be made a part of the record. Please do summarize.

Mr. SCHIFF. Thank you.

I would like to hit upon just a few of the comments that we do make in our testimony to bring focus on how the rural government fits into the situation of dealing with rural development.

Mr. Chairman, as you know, there are 39,000 units of general purpose local governments in the United States today. That is all the counties, all the townships, and all the municipalities—39,000. Today in 1987 72 percent of them, or almost three in four, have populations which do not exceed 3,000. Indeed, 50 percent of all the governments that exist today have populations under 1,000 persons.

What does that mean in the context of small? It means that we cannot make assumptions regarding very many things concerning the governments that are called upon to provide services or to implement policies developed in Washington or the State capitals. It means that the local officials who are performing functions in

these many small governments are part time, are volunteers, are doing this because they love their communities. They do not have staff. They do not have budgets. They do not have computers. In short, they do not have many of the resources which unfortunately policymakers at all levels and program implementors assume must go with the idea of a local government.

Too often, Mr. Chairman, we find that Federal policies, Federal initiatives, and State initiatives do not respond to this unique character of small town America. We find program after program, regulation after regulation, initiative after initiative which considers a community of 490 people to be precisely the same as a community of 49,000 with regard to how they may implement a program, a policy, or participate.

We also find instances where the solution to dealing with small town America is to take a program that has worked in a larger context and to somehow shrink it down and then apply it to small towns, and that does not work.

We also find an endemic bias that creeps into many programs that says that if you do not spend a six-figure digit dollar figure on a certain program or problem, then it's not worth spending the money at all. Because of the way that small town America is organized, is set up, does run, we find that many times a lot can be done with a small amount of money.

For all these reasons, that is why we support initiatives such as yours and Mr. Coleman's. We believe that the kind of approach that you are pursuing is more appropriately scaled to what exists in small town America today. We do believe that concepts such as rural development, revolving loan funds, and specialty programs which would provide technical and business assistance at the local level are extremely important. We applaud particularly the initiative in your program, Mr. Chairman, which requires that certain money be spent only in communities under 20,000. That will cut through some of the problems that we have when small communities are trying to compete with larger places that have many more resources.

Over the 10 or 11 years that our organization has been on the scene here in Washington we have also reviewed and evaluated the situation of what happens when a small community is thrown into a larger, more broadly-written Federal or State initiative. We have a list of several ideas that we think should be included routinely in the work of every subcommittee, every full committee that operates on Capitol Hill and in the State capitals.

First of all, if, indeed, it is the goal of these initiatives to make a difference in small town America, there must be provision for meaningful consultation with the people who represent these communities, both government and outside of government. This especially is applicable when a program is targeted for implementation and administration at the State level.

We also have found, unfortunately—and probably for reasons of budgetary constraint—that without a requirement for maintenance of effort by State governments, many times the State government will substitute new Federal initiatives for program dollars that they already are spending on those similar kinds of programs from

their own resources. Therefore, there is no net impact on rural America.

We also believe, as I mentioned earlier, that there needs to be a protection for small grants; that small amounts of money can do lots of things. We believe that data now are collected for small communities but are not made available in a usable fashion that makes sense for the resources that are available in small town America.

We agree, as I said before, that the idea of a set-aside for very small communities is something that deserves the attention of every committee looking at governmental policy.

We also believe the encouragement of alternative and innovative approaches—in short, that there isn't just one way to get to a desired outcome in terms of policy or program—is something that needs to be pursued routinely throughout all policymaking deliberations.

In closing, let me just say that initiatives such as yours and others being developed by this committee are appropriately scaled, in our opinion, to the differences that apply in small town America and, therefore, have a very good chance of making a true difference there. They combine well with the features that we find even today in our sophisticated world that do exist in small towns of self-reliance, of self-help, of people wanting to make their communities better.

I want to thank you, Mr. Chairman, personally for your support of our association's major new initiative in the area of development called "Harvesting Home Town Jobs," which I know you have seen. We know that you also are aware that tomorrow morning with your help in the Capitol building there will be a series of showings of the video "Harvesting Home Town Jobs," so that Members of Congress and key staff can see this program which is geared toward having small towns help themselves out of the economic problems that they have now.

Thank you very much for all of your help. We would be happy to respond to any questions.

[The prepared statement of Mr. Schiff appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Schiff, for a very fine statement. We look forward hopefully to many Members viewing the program tomorrow.

We are pushed for time and we're not going to ask too many questions, but we are going to take the privilege of talking with you for any assistance that we might need in the future.

I do have one question I want to ask Mr. Palk. If Mr. Cassidy wants to respond, I would like for him to do that also. We'll take one round at least.

To what extent, Mr. Palk, are rural electric co-ops limited from investing more than they do in rural development projects? How is this limit established? Is it by statute or by REA regulation? You sort of alluded to that, and I would like you to elaborate on what you said.

Mr. PALK. Thank you, Mr. Chairman. I would be happy to respond to that.

The limitation that the co-ops presently are under is a result of the way the REA mortgage is written. There is language in the mortgage that says that not more than 3 percent of the co-ops' plant value can be spent for nonact purposes. "Nonact purposes" would be some of the purposes we're talking about this morning for rural development projects.

If this were raised to a higher amount, this would allow the cooperatives to expend monies in their local communities for some of the exact purposes we have been talking about this morning.

The source of that limitation is not statutory; it is language in the mortgage. That's the limitation the co-ops are under.

Mr. JONES of Tennessee. With the 3-percent limitation, have you a figure of how much money that might be?

Mr. PALK. Well, you take an average co-op—we'll just say for round figures, Mr. Chairman, that had a plant value of $10 million——

Mr. JONES of Tennessee. Is that total plant value?

Mr. PALK. That's total plant value, sir. So you take 3 percent of that figure, whatever that is.

Mr. JONES of Tennessee. Would a change in the lien accommodation policy of the REA enhance the co-ops' ability to invest additional capital in rural development initiatives?

Mr. PALK. Yes, we believe that it would. The lien accommodation policy of REA now is pretty rigid, and we feel that if lien accommodation were addressed in a changed mortgage whereby the REA would take into account other lenders and other partners in rural development projects that might be involved, this would enhance the ability to put these projects together even better. Lien accommodation, lien subordination, some of the change in the language of the present mortgage would accommodate that aspect, sir.

Mr. JONES of Tennessee. Do you believe that the NRECA board would be agreeable to a change of this sort legislatively?

Mr. PALK. Yes, sir, I do. I not only believe that the board would; our membership has already spoken to it through resolution at their annual meeting in February and has encouraged us greatly to become even more involved in community development.

Mr. JONES of Tennessee. We need to get together and talk about that, so we might make that all inclusive in some piece of legislation that we might be promoting.

Mr. PALK. Sir, we would be happy to talk to you any time.

Mr. JONES of Tennessee. Very good. Let's don't forget that.

Mr. PALK. Thank you.

Mr. JONES of Tennessee. Mr. Cassidy, do you have any reservation about that? Do you want to tell us what you think?

Mr. CASSIDY. Yes, Mr. Chairman, particularly with regard to the lien accommodation. As a private lender who deals a lot with REA, it is difficult to get a lien accommodation and, in fact, the policy that they operate under makes it difficult for private lenders to provide credit to the borrowers of REA. A modification in that policy, either administratively or through statute, would make it easier for private lenders to provide credit for so-called, nonact purposes—non-REA act purposes—which would include rural development as well as other business enterprises.

Mr. JONES of Tennessee. So you feel favorable toward it?

Mr. CASSIDY. Yes, sir, absolutely.

Mr. JONES of Tennessee. Some change like that.

That's all the time I'm going to take. My time has expired. I will yield to Mr. Coleman.

Mr. COLEMAN. I don't have any questions.

Mr. JONES of Tennessee. Mr. Tallon?

Mr. TALLON. Mr. Chairman, thank you. I'm very interested in the questions that you were asking Mr. Palk. I just want to say that I appreciate so much the involvement in my rural district of our electric cooperatives and their efforts to help us enhance and move forward with economic development in those areas. I'm especially interested in the report of this blue ribbon panel of the rural electric leaders that would be studying the expansion of the role of the REA to include economic development activities and expanding the mission of the REA systems throughout the Nation. I want you to know that I want to work with you in developing whatever we might need to do to give you that authority. I think it's an excellent opportunity for rural America. I congratulate the rural electric cooperatives for their efforts in this area thus far. Thank you.

Mr. PALK. Mr. Tallon, you're very welcome. We appreciate those comments and assure you that as we progress with our study we would like to be able to call upon your fine offices for advice.

Mr. TALLON. Thank you.

Mr. JONES of Tennessee. Mr. Richard Stallings?

Mr. STALLINGS. No questions, Mr. Chairman.

Mr. JONES of Tennessee. Let me project this just a little bit further since I didn't use all my time. Do you know whether or not the telephone co-ops would come under the same classification that you do?

Mr. PALK. They come under REA lending program, Mr. Chairman, but I am recalling just strictly from memory, but I believe they have a little different language in their mortgage as far as lien accommodation.

Mr. JONES of Tennessee. We need to look into that also.

Thank you very much, gentlemen. We appreciate it. I wish we had more time, but we just simply are crowded for time today.

The next panel consists of more people than are on the agenda today because we are having to switch because of the time element. Mr. Bill Heffernan, rural sociologist, University of Missouri, Columbia; Mr. Robert A. Youmans, member of the Rural Family Issues Coalition of Columbia, South Carolina; Ms. Mollie Anderson, director of the Greater Nebraska Job Training Program, Department of Labor, Lincoln, Nebraska; and we're going to move two others up to this panel because they have a problem as far as time goes: Mr. Jay Hedges, director of the Illinois Department of Commerce and Community Affairs, Springfield, Illinois; Mr. Larry A. Werries, director of the Illinois Department of Agriculture, Springfield, Illinois.

We will take you in that order. Mr. Hedges will follow Ms. Jackson and Mr. Werries will follow Mr. Hedges.

Mr. Coleman?

Mr. COLEMAN. Mr. Chairman, if I might just say a few words before Bill Heffernan commences his testimony. I think he's the first one up.

Three years ago in 1984 I asked somebody in the Department of Agriculture here to give me some information behind the cold facts and statistics that we knew too well, and that was the number of bankruptcies and foreclosures and family farmers leaving the farm and tell me the human side of this equation. I certainly knew in my district but I would like to know additional information. He said, "Congressman, nobody has ever asked us that information before."

As a result of that simple question, the Department did go forward to try to determine some information, and they let a contract to the University of Missouri and to Mr. Heffernan and his wife who went out and studied this phenomena, which Bill has reported back to us previously several years ago and which he references today in his comments.

They are the first, I think, to document, if you will, the human side of the equation that we are trying to address. From that initial question came eventually, through the 1440 section of the farm bill, through some other activities in my district, through the formulation of the four-part rural development initiative—much of what it is predicated on is the study and findings that Bill and Judy Heffernan have made. I would like, first of all, just to say that as a preface to what Bill might say today and also to welcome him as a Missourian, as somebody who is very much concerned and involved in this effort in rural America.

Bill, thank you. Welcome.

Mr. JONES of Tennessee. Thank you very much, Tom.

I believe I overlooked Ms. Andrea Jackson. Did I introduce her? She's there, I know. I don't know whether I did or not because I am confused with some of these changes we made. Anyway, we're glad that you're here.

Ms. JACKSON. Thank you.

Mr. JONES of Tennessee. Mr. Bill Heffernan, you're recognized and you may proceed. We're glad you're here.

STATEMENT OF WILLIAM D. HEFFERNAN, PROFESSOR OF RURAL SOCIOLOGY, UNIVERSITY OF MISSOURI-COLUMBIA

Mr. HEFFERNAN. Thank you, Mr. Chairman. I appreciate very much being here today. Most importantly, I want to commend this committee for focusing on this very important issue of rural development.

In light of some of the earlier discussion, I'm going to go directly to some of my remarks concerning the program we have been working with at the University of Missouri. The University of Missouri Extension Service has had a long history of working with rural communities to enhance economic development, but with the funding we receive under section 1440 of the Food Security Act we have been able to include four additional areas to give us a much more balanced program focusing on both the social and economic development of rural areas.

I want to talk about the four major thrusts that we have put together as a response once we received the funding from 1440.

The first thrust is what we call the Rural Community Service Project. In the northern portion of the State seven senior-level

counselors from local rural mental health centers have been hired and located in local Extension offices. These professional counselors are capable of directing and assisting families experiencing immediate psychological problems which often lead to destructive or abusive behavior. Their major purpose, however, is not to provide ongoing family assistance, but rather to help route these families in need of assistance to the appropriate services. Most of these families have multiple problems and can be assisted by not one, but several of the agencies and organizations available in our local communities.

The rural community service coordinators can provide the families with information about numerous services available at the community, county, regional, and State levels. Even more important is the role the coordinators play in the community. The coordinators serve as a catalyst to help local citizens inventory the resources available in their communities, coordinate these resources, and help to disseminate the information to a host of caregivers and families who are in need of this information. They are also helping to establish local support groups and providing professional assistance to support group leaders when necessary.

The coordinators utilize the full resources of the University of Missouri and the local community mental health centers in providing services to rural communities and families. This program has been integrated into other ongoing Extension programs such as those in farm management, child and family development, and community economic development.

In addition, the program has received strong support and cooperation from the Missouri Department of Social Services, the department of mental health, and the department of agriculture which coordinates MOFARMS which is a financial management program.

Recently, the department of mental health submitted a proposal to the National Institute of Mental Health which is accepting proposals for innovative programs in the delivery of rural mental health services. The Missouri proposal builds on the rural community service project. Likewise, the department of economic development has recently submitted a proposal to the U.S. Department of Labor requesting funds targeted to provide special job training assistance to farm and former farm families. Again, the proposed training efforts are highly tied to our 1440 project.

The rural community service project is also working closely with the Missouri Interfaith Coalition on the Rural Crisis. For example, the coordinators have become key members of what's called the coalition's bank closing response team. They are also being asked to help conduct pastoral training conferences held around the State.

Basically we're saying that the 1440 project is a key link in developing local and statewide network of organizations and agencies attempting to help farm and rural families.

Now the second project is what we call the Career Options for Missouri Farm Families. This has, again, about four major thrusts to it. One of them is an in-depth career educational program in which individuals can come and seek 3 to 5 hours of counseling.

Also, there is a hot line which people from around the State can call. There is also a series of workshops that are being set up to help individuals. Since Ms. Jackson is going to be talking more about this one, I will not spend any more time on this particular option. She has been a part of it and really knows it from the bottom up and has worked closely with them.

A third one deals with rural youth. We know that there are a lot of youth that are being impacted. The consequences of this for these young people is going to be very long term if we do not deal with it upfront. So we have a variety of programs being designated to assist the youth and youth leaders in dealing with the adverse effects of stress. They include a special program that is being developed for teachers both in terms of their in-service training and then also materials that the teachers can use in the classroom.

A series of public forums will be held in several locations focusing on teenage suicide, stress, and depression, and individual and community means by which such problems can be reduced.

There will also be special training on ways to cope with stress and ways to help troubled friends, which is being provided for 4-H camp counselors who will be running our camps this summer in the State.

In addition, special training on family communication, stress, and stress management will be given to leaders of 4-H and other youth organizations.

The fourth major thrust is what we call the Alternative Horticultural Produce Marketing. This one is just getting off of the ground. Several communities are being targeted in which to pilot a unique project in which horticulture producers will be linked with such local institutional buyers as through schools, hospitals, and nursing homes. Also, the potential for processing locally produced items on a local basis is being explored in several communities.

Given the severe economic problems facing agriculture and several other industries located in rural areas, it is clear that national, State, and local resources must be combined if the impacted rural communities are to remain viable.

Rural development is the only hope many rural communities have for survival. Without a significant and creative effort to revitalize the rural economy, much of rural America will continue to deteriorate into an even deeper level of poverty, despair, and decline. The despair for many farm and rural families is already so great that attention must be focused on social and psychological development, as well as economic development, if rural communities are to be revitalized.

We have used the 1440 funds to broaden the rural development effort we have had at the University of Missouri Extension and we are very much appreciative of those funds.

Thank you.

[The prepared statement of Mr. Heffernan appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Heffernan. You did summarize your statement.

Mr. HEFFERNAN. Yes.

Mr. JONES of Tennessee. Without objection, the entire statement has been included in the record.

We appreciate this vital work that you have been doing. Without a doubt, we will be calling upon you for some additional advice.

Mr. Tallon.

Mr. TALLON. Mr. Chairman, thank you. I would just like to personally welcome our next witness Bob Youmans, who is appearing before this subcommittee. I have had the opportunity to work with Bob in his involvement with the South Carolina Farm Bureau. He's an outstanding leader.

I appreciate so much your being here today, Bob. Thank you.

STATEMENT OF ROBERT A. YOUMANS, MEMBER, RURAL FAMILY ISSUES COALITION

Mr. YOUMANS. Thank you, Congressman.

Mr. Chairman and members of the subcommittee, I am Bob Youmans. I'm a farmer from Furman, South Carolina. I appreciate the opportunity to share with you a view of life in a rural South Carolina town, my home town.

In our community of Furman we had 27 full-time farmers in 1980. We had a thriving equipment dealership there. This growing season we will have no more than four full-time farmers, probably only two, and the tractor dealership has been out of business for 3 years.

This picture of a dying rural town is common all across America. In most rural areas, farming is the hub that feeds other businesses as well as feeds the world. With the loss of as many as 1,000 farmers in the United States every week, there are serious problems not only with farm families, but with farm workers, agribusiness people, suppliers, and other rural businesses.

I applaud the work that you, the Members of the U.S. Congress and this committee, in seeking to improve the quality of life of rural Americans by encouraging rural development.

We desperately need to bring opportunities for new jobs and job training, technical assistance, and capital improvements to our rural areas.

But many families I know have immediate needs that must be met before they can utilize these development opportunities. Every day I see people who are so burdened by the load of stress brought on by financial uncertainty, loss of businesses and of jobs, their way of life, that they literally do not know what to do or where to turn.

I recently was visiting one of my friends, a farmer, who was distraught because he did not qualify for an operating loan this year. In the middle of our conversation, as he was wringing his hands and saying, "I don't know what to do. My farming days are over," he picked up the telephone on the wall and called the local John Deere dealership ordering $1,500 worth of new disc blades for his disc harrow, having no idea in the world whatsoever where he was going to get the money to pay for them.

Why this kind of behavior? Let's talk about the rural individuals for a moment. Most of us have been trained to plant, to produce, to plow, and to harvest. More recently, with the help of the Extension Service, we have been taught how to market and even how to develop a financial management plan, but never in the far reaches of

our imagination—mine or our training—have there been thoughts of failure, relocation, or changing vocation. Few, if any, know the possibilities of help from the traditional social services or mental health services that may be in the rural areas. Most of them, if they are aware of this help, hesitate because of the very nature of the beast.

This beast called rural America is a rugged, self-reliant individual who has never allowed himself to depend on anyone and generally not on the system. But things have changed. Our small community has seen increases in alcohol and drug abuse, spouse and child abuse, divorce, and even attempted suicides.

One of the most evident symptoms of the rural stress is the total withdrawal from all ways of community life and from family and from friends and even from church activities. Our rural families need help in dealing with the stresses, but most of them, as I mentioned earlier, are too independent and too proud to seek this help.

Because of my frustration over how to get help for my neighbors and friends, I joined with other concerned folks from across this Nation to form the Rural Family Issues Coalition. This national coalition has four very specific goals:

One of the goals is to provide 24-hour phone crisis intervention.

Two, to provide aggressive outreach by trained human services professionals who will provide immediate, on-site, one-to-one assistance for rural families in distress any time or place, and to stay with them until the problem is resolved.

Three, to develop local peer support groups.

Four, after they have resolved the immediate crisis, to connect them and refer them to the appropriate traditional helping services such as public health, mental health, extension, ministerial, and human services.

The Rural Family Issues Coalition's goals are patterned after a highly successful program developed in Illinois called Stress Country Style. Let me explain for just one minute why I think this kind of program can help in my community or in the thousands of similar communities around this country.

Rural folks find it very difficult to seek help locally, but will frequently spill everything of their troubles with a compassionate stranger. This is evidenced by the scores of cold calls made by the Stress Country Style program without one rejection. These first-time calls have resulted in a high rate of success in preventing suicide, homicide, and other problems that destroy the family life and the family itself.

As I look around my community, I see many needs, but none more urgent than a workable outreach system.

Mr. Chairman, I would like to leave with you information that details the needs of the rural outreach program and how the program works to have in the record, if it is your pleasure.

I would like to close by expressing my thanks to you for the work that you are doing to strengthen our rural communities. I would also like to thank Chairman de la Garza and his staff for introducing H.R. 2398, a bill that would provide outreach programs and crisis management assistance for farmers and rural families.

My hope is that this kind of assistance could be utilized and expanded in conjunction with the good work that you are doing with these two bills that have been introduced.

I want to thank you for the opportunity of appearing here on behalf of the coalition and my fellow farmers. I would be happy to respond to any questions.

[The prepared statement of Mr. Youmans appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Youmans, for a very practical and fine statement. We will have some questions for you at a later time.

Now we'll proceed with the next witness, Ms. Mollie Anderson, the director of the Greater Nebraska Job Training Program, Department of Labor of Lincoln, Nebraska.

We are pleased that you are here, Ms. Anderson. You may proceed.

STATEMENT OF MOLLIE ANDERSON, DIRECTOR, JOB TRAINING OF GREATER NEBRASKA, NEBRASKA DEPARTMENT OF LABOR

Ms. ANDERSON. Thank you.

Mr. Chairman and members of this subcommittee, thank you for the opportunity to testify today and the opportunity to bring my young son to Washington and see Government at its best.

My comments are submitted to you as a summary today. I'm presenting them and I would appreciate if you would put the full testimony in the record.

Mr. JONES of Tennessee. Without objection, it will be made a part of the record.

Ms. ANDERSON. Thank you.

I am Mollie Anderson. I am the director of the Greater Nebraska Job Training Program which is a part of the Nebraska Department of Labor. We were pleased to receive an appropriation of $500,000 from section 1440 of the 1985 farm bill which allowed us to continue our agriculture-in-transition program through September of 1987.

I am here today to ask for your continued support of our program which has proven to aid our distressed farming communities in Nebraska. Our program serves an 88-county area whose No. 1 industry is agriculture. Included in your packet today is information on the extent of the crisis and its impact upon Nebraska.

Because the problems facing rural America are so complex, we feel any programs offered as solutions must have a broad spectrum of alternatives to offer. Anything less will result in failure not only for the programs implemented, but for the people they are designed to help.

As Congressman Coleman said today, today's agricultural crisis is far more than a farm problem. It is a rural community crisis that requires comprehensive solutions beyond the scope of traditional agricultural programs which often stop at the farmgate.

We support the rural development initiative introduced to rebuild rural America and restructure USDA, and we compliment this committee on its comprehensive design.

Let me quickly comment on a few of its objectives. First, we support the creation of a Rural Development Administration within USDA and the establishment of a special advisor to the President. In our opinion, this places the emphasis on the fact that the rural economy has changed. No longer is it restricted to the dependency on agricultural production. It properly places revitalization and rural development on a par with agricultural production issues.

Second, we support block grant programs to provide seed capital for rural economic development which would encourage private sector investment and provide funding for rural infrastructure needs. Without such assistance, rural communities cannot compete with their metropolitan counterparts.

Third, we support the creation of one-stop shop ag action centers, a concept proven to be most effective.

I would like to use the remainder of my time to comment on our program design, our performance, outcome, and our funding issues. The centerpiece of our program are six one-stop shops centers called ag action centers located in community colleges across our State. The colleges provide a comfortable, nonthreatening environment free from the negative social service stigma that my counterparts have already stated is vitally important to these programs.

This was essential if we were to be able to reach the ag workers who traditionally have a strong sense of self-reliance. We developed a three-pronged strategy which is outlined in the material you have received. The first prong addressed the dislocated farmworker. We feel our first responsibility in our program is to keep farmers in farming. The centers allow people to come to their own conclusions about their future in agriculture. They provide farm-ranch management courses; legal, financial, and stress counseling; referrals to social services agencies; and many times they provide help in just simply providing supplemental off-farm income in order to keep that farm operation going.

The second prong addresses a dislocated farmer. It provides career assessment, counseling, classroom and on-the-job training and supportive services. It helps farmers realize they do, indeed, have transferrable skills and they are not a dumb farmer.

Because of the time constraints, I have provided the program performance information as a handout. I would like to tell you we have had 2,500 individuals come into our ag action centers; 1,300 of those individuals have been able to remain in farming; 900 had to get out of farming; and we have a 79 percent placement for those individuals at a cost of roughly $1,900.

If you look at that last page of the material which I have submitted, you will see the return on the investment for the Federal Government and you will see that by far they return more when they are working than what they cost you in expense for these programs.

The third prong in our strategy, and one that is critical to the ultimate success of the program, is community services. There is no need to retrain people if there are no jobs available. To address this need, we must be able to implement programs that create jobs.

If you will see in the material, there is a real need to provide marketing assistance for small towns, business incubation centers,

technical assistance for cottage industries, and we have no funds for those efforts.

I would like to submit that there were some problems in the appropriations received in the 1440 bill. That was in regard to the ability to subcontract with other agencies. It was eventually resolved, but it caused some red tape.

In closing, I would like to say agriculture-in-transition has provided a resource for our rural communities. We hope that if legislation is passed our program can continue to be a model for other States to use. I think that it is apparent this group recognizes small farms and communities are an integral and vital component of America and that their preservation is critical to our productive survival.

Thank you.

[The prepared statement of Ms. Anderson appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Ms. Anderson, for a very good statement. Without a doubt, we'll be wanting to talk to you at a later date.

Our next witness is Mrs. Andrea Jackson of LaPlata, Missouri.

Mr. Coleman, do you wish to introduce Mrs. Jackson?

Mr. COLEMAN. Mr. Chairman, I would certainly welcome Andy to our committee. I have known her as a farm wife and as a person not in my district but from north Missouri who has had some of the same problems as the people in my district because of the vast weather patterns that have inundated us for several years. I certainly welcome her and look forward to her testimony.

She is going to be telling us as a participant in one of these programs, and I think that is a unique perspective that will be given to us.

Welcome, Andy.

Mr. JONES of Tennessee. We are delighted to have you. You may proceed, Mrs. Jackson.

STATEMENT OF ANDREA JACKSON, FARMER, LaPLATA, MO

Mrs. JACKSON. Thank you, Mr. Coleman, Mr. Chairman, and members of the subcommittee.

My name is Andy Jackson and I am from LaPlata, Missouri. I am married and have three sons. My husband and I have a farming operation that has been adversely affected by the current economic conditions. I am a participant in the Career Options for Missouri Farm Families which is a university extension 1440 project. I am presently employed but am looking at career options both in and outside our present location.

I was a participant in a workshop with 10 other individuals, both men and women, whose lives are in transition due to the economic conditions. Four of these people had college degrees in an area of agriculture; one had a graduate degree in agricultural education; and three had two or more years of higher learning. Of course, all of them had a high school education. Other participants in this project have less formal education which indicates that this project is serving a cross-section of individuals. We are all involved in agri-

culture production and/or agribusiness. We are respected community leaders, and our lives are in transition.

One participant, who is a widower and father of three sons, does not want to leave his local area as his sons are established in junior high and high school activities and organizations. He has a B.S. degree in dairy science, had sold his dairy herd a week prior to our workshop, and he was there looking at possibilities for certification to teach.

Another participant had recently quit farming, is divorced, and has no geographic limitations. He desires to relocate, if necessary, and is simply exploring options, trying to find employment possibilities and to reconstruct a positive self-esteem.

Other situations of workshop participants are cited in the Kansas City Times article which is enclosed with this testimony.

We, as a group, shared similar problems, concerns, and goals, and we developed a caring relationship during the 3-day workshop. To those suffering from depression and who are struggling with transitional legalities, this workshop experience provided the opportunity for fresh introspection and objectivity in the analysis of our own abilities. It provided the opportunity to feel assurance that, yes, we still do have skills and capabilities—to re-establish confidence in ourselves; the opportunity to step away from the problems for a brief time to look clearly at possible solutions. We had the opportunity for self-analysis through the Strong-Campbell Interest Inventory, and we had individual career counseling sessions and, importantly, the opportunity to initiate change for ourselves in a positive way.

The university extension is an established, in-place vehicle to meet the needs of the agricultural families that are in transition. In Missouri the networking that is available through their career planning and placement center is a very strong advantage, particularly for individuals that may eventually look to leaving their home area.

I just have a closing thought that actually comes from Naisbitt's "Megatrends," but it relates so strongly to those of us who are involved in agriculture and involved in transition:

We are living in a time of parenthesis, the time between eras. It is as though we have bracketed off the present, which is here, from the past and from the future. We are clinging to that known past because we are so fearful of the future. This time of parenthesis is a time of change and questioning. Although this time is uncertain, if we can learn to make that uncertainty our friend, we can actually achieve more in those unstable times than we can in stable times. We must get the clear vision of the road ahead. Once we have that clear vision, we have a renewed resilience and renewed confidence in our abilities to adapt to our ever-changing society.

I feel strongly that the 1440 program provides an opportunity for people who are involved in agriculture to accurately assess their abilities and to adapt to this changing society.

I thank you for the opportunity to share my thoughts with you. I would entertain any questions that you might have.

[The prepared statement of Mrs. Jackson appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mrs. Jackson, for a very fine statement.

Our next witness is one that has been added from the third panel, Mr. Larry Werries, director of the Illinois Department of Agriculture, Springfield.

Mr. Werries.

STATEMENT OF LARRY A. WERRIES, DIRECTOR, ILLINOIS DEPARTMENT OF AGRICULTURE

Mr. WERRIES. Thank you, Mr. Chairman and members of the subcommittee.

I deeply appreciate your adjusting the schedule to accommodate a flight to Chicago.

I will truly attempt to summarize my comments which I submit for the record.

Mr. JONES. Without objection, the entire statement will be made a part of the record.

Mr. WERRIES. Thank you, sir.

I'm the director of the department of agriculture in the State of Illinois and also a grain and livestock farmer in the west central part of the State. We have not been immune from the agricultural problems in the State of Illinois although we feel like we have fared a bit better than some of our neighbors in the eastern and western edges of the cornbelt.

We feel that our three main reasons for the fact that Illinois perhaps has come through those in a little better shape are: first of all, we're a prairie State. Our soil is very rich. the weather has been a little better than some of the western cornbelt States have experienced in drought times. Also, we feel as though our economy is more diverse in the State of Illinois. In other words, farmers and their wives have more opportunities to find off-the-farm employment.

Nevertheless, just yesterday I called the association which represents the farm retail equipment dealers, and in 1980 we had 600 farm equipment dealers in the State of Illinois; today we have 425, a loss of nearly one-third. Just yesterday in one of the Chicago papers I read that the bottom six counties in deep southern Illinois—families which require obstetric services cannot find them in those counties. They go to Paduka or Cape Jerado. Mr. Coleman, going to Cape Jerado for those services may not be all that bad, but, nevertheless, it's pretty far for some of them. We've lost some support services, both ag-related and nonag-related, in the State of Illinois, as other States have.

We have taken several initiatives at the State level to try to address these problems. We feel as though we have been very active, and several people have alluded to programs going on in Illinois that we're quite proud of: the Stress Country Style Program is one that I think other States are modeling their programs after.

We feel as though these programs have taken a logical sequence. First of all, the Extension Service got involved in attempting to counsel farmers to become better financial managers. We did that. The logical sequence there was to provide some financial assistance programs. It was found that those programs were not correcting all

of the problems which were found out in rural Illinois. Then we went to a legal assistance program to help farmers with legal problems if they could not truly afford them. Then the next program to begin was the stress counseling program. I suppose the next logical program is then rural development.

Our emphasis has been to try to keep farmers on their farms, if we could truly do that. If that is not possible, then I think we should consider rural development programs to provide alternative employment either in addition to the farming operations or perhaps in some cases as an alternative to farm employment.

I would suggest that some programs are worthy of your consideration, then, at the Federal level. I might just summarize by listing some of those. I think technical assistance is an important aspect for the Federal level to consider. Most rural communities are governed by part-time or volunteer leadership. In many cases they're not always up on the availability of State and Federal programs. I think that with some guidance from State and Federal officials these communities can avail themselves of these programs.

Modernization grants, water and sewer system upgrades are still important as infrastructure additions to local communities should they seek to attract industry.

I am presently serving on a task force in the State of Illinois that is chaired by our director of the experiment station at the University of Illinois, seeking to establish a system whereby farmers can avail themselves of the best technical assistance out there via a computer system, computer-assisted decisionmaking, if you will.

Diversification—this seems to be the byword in central America. The problem of farmers not making it raising traditional commodities and seeking to devote part of their farming operation to alternative enterprises.

Then local incentives I think should be a part of any Federal program.

I appreciate the chance to be with you, Mr. Chairman and members of the subcommittee. I stand available to answer any questions.

[The prepared statement of Mr. Werries appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Werries, for a good statement. Without a doubt, we will be asking you for some help a little later.

Our next witness, and the final witness of this panel, is Mr. Jay Hedges, the director of the Illinois Department of Commerce and Community Affairs of Springfield.

Mr. Hedges, we are delighted that you are here. You may proceed.

STATEMENT OF JAY R. HEDGES, DIRECTOR, ILLINOIS DEPARTMENT OF COMMERCE AND COMMUNITY AFFAIRS

Mr. HEDGES. Thank you, Mr. Chairman.

I also will summarize my comments and submit them for the record.

Mr. JONES of Tennessee. Without objection, they will be made a part of the record.

Mr. HEDGES. It's been only two short a period of time since people in the economic development community sat at a table like this with members of the agriculture community. For many years we struggled and fought for scarce resources, and agriculture wasn't considered economic development. In recent years, certainly in Illinois and our sister States represented on this panel, I believe economic developers have recognized that the agricultural community is the lifeblood of the Western States, and the diversification and food processing sorts of industries that are related certainly are very dependent in terms of our general economy. We sit here together at the same table today working hand and hand as opposed to fighting for scarce resources.

I represent an agency of about 700 employees and about $700 million in Illinois in terms of economic development. We do a number of things, all related to economic development, including administration of numerous State programs like job training, development block grants, and many other procurement assistance and business management assistance, and other kinds of programs to assist businesses.

We also run the Film Office and manage an Illinois Office of Tourism, all parts of our broad, diversified Illinois economic development efforts. We also have a very large and extensive small business assistance bureau in our agency. We feel that this is the real growth potential in economic development in Illinois and certainly in many other midwestern and other States.

Within that is where we have begun to really identify the needs of rural economic development throughout our State. We have found that in light of the fact that we have such large resources and so many programs, including Federal dollars, we have still not been able to properly address the needs of rural Illinois.

There are some successes, we believe, however, and some encouragement and reasons why we think there is potential to develop these smaller communities in terms of economic development and related businesses. In particular, we're finding increased auto suppliers bring new jobs to our State and to the Midwest, particularly interested in what's become known as the "farm work ethic" in Illinois and in the Midwest—foreign and domestic manufacturers interested in finding farm families and farm people to run and operate their manufacturing facilities. I feel this offers encouragement to rural Illinois and rural America.

New value-added processing facilities we think will be very important to not just diversifying crops, but making more creative uses for our existing traditional crops.

We also feel that there is good news in the area of tourism, something we haven't talked much about today, but something that will be critical to farm communities and rural communities as people seek more diversified tourist and travel activities throughout Illinois and throughout the Midwest.

We believe there are some great potentials for success in this area, and we not only look toward the Federal Government for providing assistance, but the State of Illinois and other States as you have heard from today are making State commitments in terms of resources and programs to try to correct these problems.

Illinois is working to meet these challenges and has provided leadership in terms of funding a program to address them. Specifically, Lieutenant Governor George Ryan conducted 22 public hearings during the last year and more than 115 towns were represented during these hearings to listen to the concerns of citizens from rural Illinois.

We found that there were several major areas of concern: continuing to maintain a rural emphasis and not trying to urbanize our rural areas was important to people in our communities to bolster the rural economy and attempt to provide State and Federal assistance to help local efforts, and to strengthen the local governments who many times don't have the professionals and economic developers that larger communities have. Also, to improve the education and human resources of these communities, to serve the needs of businesses that may be interested in expanding or relocating.

We think it's important that the Federal Government work with States and with local governments to encourage the investment of private capital in our communities, not just to use State resources and Federal resources, but to encourage the leveraging and investment of private capital, because we believe this is the only way that natural markets can be generated rather than just creating employment with Federal and State dollars.

We think it's important to look at innovative ways to provide financing assistance and not tie the hands of State development agencies and local government agencies with specific guidelines that may not apply the same nationwide, to provide that flexibility within certain targeted areas.

We have been participating in a program just recently administered by the USDA, the Rural Development Program, which allows the State of Illinois now, as one of four States in the country, to provide low-interest loans, direct loans, grants for feasibility studies and technical assistance, as well as loan guarantees provided by the Federal Government. Four point seven million dollars was awarded to Illinois just about 30 days ago. That will be used in conjunction with the new rural economic development program administered by our agency and appropriated through the Illinois State general fund of $2 million. So the State has provided its financial commitment and program commitment to accent and complement the Federal program that we think is so important.

Let me summarize my statement by saying in some specific areas we think that the Federal Government and this committee, considering the bills at this point, should consider very specific programs to assist rural economic development.

Specifically, revolving loan funds financed by the FmHA and State funds can help displaced farmworkers to develop their own small businesses. FmHA guarantees are others administered by USDA can help the direct loans, State and Federal loans, to private assistance, to provide additional financing for more traditional business and industrial expansion in rural areas. Finally, Federal loan guarantees for agribusiness to help diversify rural economies with value-added efforts.

We support limits of population of 20,000 which will also mirror some of our State programs to try to fend off some of the competi-

tion from the more urban areas, and we also believe that it makes sense to require State funding commitments in conjunction with Federal funds.

We also believe that there should not be an injection of State and Federal dollars that exceeds more than 50 percent of the total project to guarantee that there would be private dollars in projects so that they would be more economical.

Finally, we just simply encourage continued cooperation of the agricultural community and the economic development community and government at all levels, including Federal, State, and local government, in attempting to address this issue. We believe it is a timely issue and one that is very popular in terms of discussion. It's important that the Federal Government strike while the iron is hot and attempt to take advantage of these sentiments so that these programs can be created and used effectively.

Thank you.

[The prepared statement of Mr. Hedges appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Hedges.

That does complete the panel. I think, simply stated, that each of you has complimented what this subcommittee has done so far. I think each of you has also indicated your willingness to do all that you can to assist us in completing a rural development program that will be acceptable to rural America and do something out there that needs to be done very badly.

In order to finish this hearing on time, and time is of essence today as it is most days here, I'm going to forego asking any of you any questions but reserve the right to contact any of you by letter or telephone for any additional assistance that we might need here.

Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

I do have some questions. I want to take advantage of these people being here, but I will try to make them as brief as possible.

Bill, your operation is under 1440. We have a 1-year, $500,000 appropriation. What happens the next year?

Mr. HEFFERNAN. We're hoping for more appropriations so we can continue this, Mr. Coleman. There are parts that are moving into place, but still this is sort of the key to many other programs in fact we are already building on. It is really quite vital that we continue this part of it.

Mr. COLEMAN. You haven't found an alternative source?

Mr. HEFFERNAN. We have not found an alternative source.

Mr. COLEMAN. Ms. Anderson, as you know, and I certainly would give credit to Nebraska that the agricultural action centers in H.R. 2026 are patterned after your experience and you have been very helpful. Although your experience started out with a department of labor grant, as I understand it, of $1 million, and we have kind of worked through the Extension Service on our approach in what we're working on, and what I'm trying to have and would like to have is the action centers that we would authorize here would be a combination of Bill Heffernan's operation, which is emphasizing the emotional, the social, that side of the thing, and yours such as job training, maybe a little bit more accent there to bring about a product which takes the best features of both.

I just want to point out to the subcommittee and for the record this very important appendix that you have attached to your prepared statement which shows that this is cost effective. What we are doing here is saving money and actually producing more revenue. When you take the 743 people who have enrolled in your services, when you assume that they are being paid—you know how much they're being paid, $5.50 almost—they pay back in 1 year all of the money practically that you receive through that grant of the Federal Government. They pay that back in taxes and also to the State, and have in turn put out $9,000 in that community which the economists say turns over seven times.

When people ask us how much our programs cost, I think this is the type of thing that we can say it is actually going to be a producer of revenue and not a drain necessarily on revenue.

I didn't comment on the last panel, but I think making the Federal Government more efficient, perhaps consolidating some programs and bringing them under the umbrella agency of the Rural Development Administration will also save money. It's got to, considering that we've got bureaucracies all through the agencies here that don't know what they're doing and the left hand doesn't know what the right hand is doing.

I don't know what your experience was, but when we started trying to figure out what was going on, we had an awfully hard time.

Ms. ANDERSON. I think our experience was somewhat similar. For the farmer when we got all the groups together that could have some impact upon the crisis they were currently going through, they were almost boggled at where to go. Those one-stop shops are critical to having those individuals access Federal programs.

I would like to say one thing on your comment about the return on investment. That is a good piece of information, and I might add that if you look at the drain on unemployment in rural communities, that will show you what is happening with the financial impact when these individuals are unemployed in their communities.

I would want you to know these individuals are certainly very marketable to businesses in our State if we are able to provide the job training programs to assist them in making that transition. There are, and there will be, jobs for those individuals.

Mr. COLEMAN. Well, the argument that I make is that the rural community is full of people who have a very strong work ethic. They just want to have a job to be able to work. They will put those talents that they have been able to do so well in agriculture to create unparalleled success and production surpluses that are continuing to plague us on the supply side—be able to apply those types of capabilities to a different job with a strong dedication for a fair day's wage. I think that is something that corporate America has passed up. We're going to hear from the chamber of commerce soon and we'll get into that.

You are utilizing the State education system as your action centers; are you not?

Ms. ANDERSON. Yes.

Mr. COLEMAN. Have you had any experience or have you considered nonuniversity sites? You said that people were willing to go in there; that they don't feel so funny about going in and seeking assistance there.

Ms. ANDERSON. We did poll farmers and in our State they felt that the community college was the nonthreatening environment that they would feel comfortable going to. I would want you to know that I certainly would have no aversion to working with the Extension Service. In fact, we do have a cooperative relationship.

In our State, though, we did find that farmers felt that the Extension Service was there for successful farmers and it was difficult for them to go back to them for advice as to how to get out of farming. That does not mean, though, in our State that the Extension Service did not help us in providing those services in the ag action centers. I think that a cooperative relationship can be worked out.

Mr. COLEMAN. Mr. Hedges, finally, does Illinois have a rural development plan?

Mr. HEDGES. Yes. I believe we provided copies to your staff and a letter from the Lieutenant Governor which not only summarizes the comments received in these 22 public hearings, but also makes several recommendations on how to develop the rural economy. Also, we have several pieces of legislation pending in Springfield at this present time which we believe will be enacted by July 1.

Mr. COLEMAN. Finally, I wasn't clear on the grant that you received from USDA recently of $4.7 million. Could you again—I didn't find it in your testimony; maybe it's in there.

Mr. HEDGES. Yes, I believe there as an attachment provided that will go into detail on that program. If not, we'll certainly make it available to you.

Illinois received just a few weeks ago a commitment from the USDA FmHA rural development program which is referred to—the funding comes through a not-for-profit, national finance corporation which has been established with the name Minnesota on it. Four States are participating and will be receiving funding during the coming fiscal year.

Mr. COLEMAN. Is that a loan?

Mr. HEDGES. Of the $4.7 million to Illinois, $1.7 million will be direct loans and grants for feasibility and marketing studies; the other $3 million will be in loan guarantees.

Mr. COLEMAN. Thank you.

Mr. HEDGES. As I have said, we have complemented that with an additional $2 million of State funding.

Mr. COLEMAN. Thank you. I thank all of you for coming and your very fine testimony.

Mr. JONES of Tennessee. Thank you very much, Mr. Coleman, for your questions.

Thank you, panel, very much for being here.

Mr. Nagle, do you have any questions?

Mr. NAGLE. No, Mr. Chairman, I don't.

Mr. JONES of Tennessee. We can call them back.

Do you, Mr. Jontz?

Mr. JONTZ. No, Mr. Chairman.

Mr. JONES of Tennessee. Do you, Mr. Penny?

Mr. PENNY. No, Mr. Chairman.

Mr. JONES of Tennessee. We'll reserve the same right that I did to ask them questions if necessary.

We have a vote on the floor. I think this would be a good time to recess the subcommittee and come back for the final panel.

[Recess taken.]

Mr. JONES of Tennessee. The subcommittee will resume its sitting.

We have three witnesses on this panel today: Mr. Jim Hall, the assistant to the Governor of Tennessee, Governor Ned McCorter, from Nashville, Tennessee; Ms. Aliceann Wohlbruck, executive director of the National Association of Development Organizations here in Washington; and Mr. Stuart B. Hardy, manager of Food and Agriculture Policy, Resources Policy Department, U.S. Chamber of Commerce, in Washington.

We are delighted for all of you to be here. Jim, my special friend from the State of Tennessee, assistant to Governor McCorter, we're delighted that you could come and be with us.

You may proceed.

STATEMENT OF JAMES HALL, ASSISTANT TO THE GOVERNOR, STATE OF TENNESSEE

Mr. HALL. Mr. Chairman, it's a pleasure to be here and appear before the dean of our congressional delegation and the good friend of the Governor and a good friend of the State to testify on an extremely important subject to all Tennesseans which is the development in our State of essentially two Tennessees.

I have brought with me today and want to bring to your attention a recent report by the Tennessee Advisory Commission on Intergovernmental Relations. It was submitted to the legislature in April of 1987. It is on economic growth and change in Tennessee. I want to highlight a few points out of that report for the subcommittee.

The findings in that report basically have highlighted that the poor counties in our State are mostly rural; that the metro areas in Tennessee have higher incomes, higher levels of educational attainment, higher growth rates in the population and sales tax collections and per capita incomes; that there is lower unemployment; and that metro areas rank higher overall in both the growth index and economic health index in our State.

Of importance and significance we feel is the fact that the nonmetro areas have 34 percent of their workforce employed in manufacturing compared to 20 percent in the metropolitan areas. Therefore, the recent losses in manufacturing jobs have had a greater impact on our nonmetropolitan or rural, poorer areas in the State of Tennessee.

The problems of Tennessee are really increased by the disparity between the urban and rural areas of the State. The major cities are close to or above the national average in per capita income. The latest statistics produced by the U.S. Bureau of Economic Analysis show that only two counties had a per capita income above the national average. Both of these counties are in the Nashville metropolitan area. When the State's metropolitan areas are taken as a whole, they had a per capita income 78 percent of the

national average. This is in sharp contrast to the 64 percent for nonmetropolitan areas. Additionally, 7 rural counties had a per capita income less than half of the national average while another 34 counties had per capita income between half and two-thirds of the national average.

One indication of the dilemma faced by these low-income counties is revealed by a comparison of the relative income level with educational attainment. A recent study has shown that 15 of the lowest income counties in Tennessee also have the lowest educational attainment. In addition to the relationship between education and income, there is also a strong relationship between education and unemployment. The higher the unemployment rate, the lower the education level.

Other signs of the disparity between the urban and rural areas of the State are the level of unemployment and employment growth patterns. The nonmetropolitan area unemployment rates have been consistently higher than the metropolitan rates since 1973. In 1985 the metropolitan areas had an average unemployment rate of 6.3 percent while the nonmetropolitan areas' unemployment rate was 11.4 percent. The slowing down of employment growth incurred before the 1980 recession and may be related to the exportation of manufacturing jobs and the chronic problems of American agriculture. The post-war growth of manufacturing, particularly nondurable manufacturing, in rural Tennessee probably sustained small family farming by providing alternative and supplementary employment for farm families. The simultaneous decline of manufacturing and farming has contributed significantly to higher levels of unemployment in many rural areas. Moreover, persons whose job skills are limited to farming and traditional manufacturing will experience limited re-employment opportunities except in low-rate service jobs.

Current growth patterns are increasing the disparity between urban and rural areas. Employment in urban areas increased 5.7 percent from 1980 to 1985 and only 2.8 percent in the rural areas. During this time period most of the counties in Tennessee that experienced rapid employment growth were in middle and east Tennessee. The largest concentration of low employment growth counties were west of the Nashville metropolitan area. Most of the counties that experienced employment losses also experienced losses in manufacturing employment. The concentration of job losses in manufacturing that occurred in the rural counties of upper west Tennessee were primarily in nondurable goods industries, those hit by foreign competition.

In manufacturing, jobs reached an all-time high in 1979, then declined drastically and have not returned to the 1979 level. Although there was a short-term upward trend in 1983, jobs decreased again in 1984. As a result of recent slow employment growth trends, 52 Tennessee counties, 47 of those in nonmetro or rural areas, had greater than 10 percent unemployment in 1985, compared to a national average of 7.2 percent and a State average of 8 percent.

Because of the lack of employment opportunities in rural areas, many people are forced to move to urban areas or commute long distances from work. Without sufficient employment opportunities

in our State's rural areas, many of the communities in these areas would not be able to survive. To correct these long-term problems a new approach to economic development is needed in Tennessee, especially in rural areas where unemployment has remained high and income low.

Little thought has been given to what type of infrastructure would best suit a small community. Even less consideration has been given to what type of industry should be recruited or business development assistance provided. Expensive investments have been made for water and sewer lines, rail spurs, access roads, and industrial buildings and property, only to recruit companies that produce nondurable manufactured goods. The result has been in textile industries dominating Tennessee's rural economy.

Now, widespread plant closings have left many communities with few jobs, low skill levels among workers, and little hope. To solve these problems, a cooperative effort between the State and Federal governments will be needed.

In Tennessee we are developing programs that we feel will aid in the economic development of the State. First, we have initiated a venture capital program to assist in the start-up of new industries. Second, we have implemented a better schools program to improve teacher pay and increase the quality of elementary and secondary education. Third, we have started a massive road improvement and construction program that will improve access to rural areas of the State. Fourth, we will be implementing a housing program to make it possible for low-income families to have access to decent housing. Fifth, we will be implementing an indigent care program to insure that low-income persons will not be denied access to the health care system. Sixth, and most importantly, Congressman, we will be preparing a 95-county job economic development program to coordinate all of the State's development programs and to serve as a guide for the formulation of economic policies.

One of the most important parts of our economic development initiative will be a series of cabinet meetings that our Governor will be holding across the State starting on June 11 and 12 of this year. The purpose of these meetings will be to learn what Tennesseans are concerned about and focus our State problems to address these concerns.

Let me just state that in Tennessee we think we need to be aggressive about the problem of what is happening in our State in the development of two Tennessees. We are proud of the basic values and qualities of life that have their origin and strength in the rural character of our State. We cannot let the rural areas of our State continue to suffer. We must be prepared for the economic growth that will keep the rural areas of our State alive.

From the Federal level, we would like to see support for rural development in the form of programs to assist the small businesses. One area where assistance is needed is in the financing of new business operating expenditures. A program that would provide support during this crucial start-up period would insure that more small businesses survive and continue to provide much-needed employment in rural areas.

Let me just note at this point we certainly concur in the programs that are being reviewed by this committee and the focus

that is being placed by this committee on what we think is probably the most important problem to the citizens of our State as we approach the year 2000.

To summarize, the primary problem we face in Tennessee is one of uneven economic growth across the State of Tennessee. The challenge we face is to manage growth in areas that are doing well and stimulate growth in the rural areas that are not doing well.

Thank you very much.

[The prepared statement of Mr. Hall appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you, Jim, for taking the time to come here and appear and to give a very good and clear scene on what the situation is in our State. We appreciate this very much. Without a doubt, you will be willing to work with this committee on anything that we may bring forward.

Mr. HALL. Yes, sir.

Mr. JONES of Tennessee. We appreciate that.

The next witness is Ms. Aliceann Wohlbruck, the executive director of the National Association of Development Organizations in Washington.

Ms. Wohlbruck, welcome. You may proceed.

STATEMENT OF ALICEANN WOHLBRUCK, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

Ms. WOHLBRUCK. Thank you, Mr. Chairman.

I will just summarize my statement, sir, and ask that it all be included in the record.

Mr. JONES of Tennessee. Without objection, it will all be made a part of the record.

Ms. WOHLBRUCK. Thank you.

I would like to thank you, Mr. Chairman and Mr. Coleman, for inviting NADO to be represented at these hearings today. Our members are grateful for your leadership in gaining better understanding of the needs and problems faced by rural communities. We appreciate the opportunity of commenting on the problems facing rural communities and the rural development legislation pending before the subcommittee.

NADO was founded in 1967 by a group of economic development districts to encourage the creation and retention of jobs in rural and small metropolitan areas. Today our members are multicounty planning and development organizations and other State and local and private agencies which help local governments and the private sector work together on business, community, economic, and rural development programs.

Among our members are the Southwest Tennessee Development District in Mr. Jones' district and the Green Hills Regional Planning Commission in Mr. Coleman's district.

For thousands of small communities, development district staffs provide the only professional assistance to governments, businesses, and citizens in the field of economic development. By working cooperatively through development districts, local governments and the private sector can maintain and create jobs with a minimum of control from Washington and maximum local participation.

For small metropolitan and rural communities, the Farmers Home Administration nonfarm programs, the Economic Development Administration, the Appalachian Regional Commission, and the Small Business Administration are the Federal development programs which have been of the greatest assistance.

As you can see from the chart at the end of our prepared statement, Federal grant and loan programs of greatest importance for rural development have been cut by 61 percent from 1980 to 1987. The Reagan administration's fiscal 1988 budget would bring the reduction since 1980 to 67.5 percent. Nearly one-third of that reduction from 1980 to 1987 was termination of general revenue sharing, but the rest of the cut was spread among many small programs. The fact is that the administration and the Congress have eliminated some rural programs and severely curtailed others, including EDA, ARC, and Farmers Home. The 1988 column on that chart shows what has been requested by President Reagan for the coming fiscal year.

We agree with you and Mr. Coleman that the Department of Agriculture must become involved in nonfarm development programs. However, we are fearful of putting all our rural development eggs in one basket. Just as urban areas receive development assistance through various Federal departments, we believe that rural communities must be eligible for various types of Federal assistance. Rural communities must continue to be eligible for transportation assistance from DOT, for small business aid from SBA, and for economic development funds from the Department of Commerce.

In the past several years we have seen this subcommittee and the appropriations subcommittee add funding for nonfarm Farmers Home programs and then watched USDA reprogram the funds to agriculture. We also agree with Mr. Gunderson about the problem of current Federal formulas that are not applicable to rural areas.

NADO was one of the groups that supported your efforts, Mr. Jones, in enactment of the Rural Development Policy Act of 1980. We had high hopes for the Office of Rural Development Policy and the appointment of an Under Secretary for Rural Development, and that this would lead USDA to be a real leader in the field. Unfortunately, we have seen the Office of Rural Development Policy abolished and the Under Secretary's position filled only on an acting basis for almost a year.

Simply moving boxes around on an organization chart will not help rural communities who face declining revenues and population losses. Congress can lead the USDA horse to the rural development water, but they cannot make it drink. We support the requirement that GAO analyze existing rural programs in the hope that this will lead to congressional action requiring the administration to implement and fund currently-authorized programs.

As you can see from our budget analysis, the Reagan administration has called for the elimination of virtually every existing program for rural development. We are pleased to hear that the administration is now in favor of rural development, but we would be even more pleased if they were in favor of funding the program.

While volunteers in the private sector participation are essential to the success of rural development, NADO believes that Federal money will be needed to help bring back or retain economic stabili-

ty in rural communities. Our members will do their best to support the authorizing legislation that you two have proposed, but we are most concerned whether the budget and appropriation committees will see fit to include actual dollars for implementation.

The Reagan administration has told Congress that money is needed for defense and for foreign aid, but rural citizens are being told to pick themselves up by their bootstraps and use volunteers.

The three highest priorities for funding for rural development purposes from our members' perspective are grants to rural organizations for establishing revolving loan funds to provide capital to create private sector jobs, grants and loans for needed infrastructure in rural counties and communities, and grants to locally-based organizations to provide management assistance to local governments and small businesses in rural areas.

In conclusion, I would again pledge NADO's cooperation to help you refine the legislation and to gain support of your colleagues in the House and the Senate. We're delighted that your bills recognize the need to revitalize rural America through nonfarm development programs. We look forward to working not only for authorization, but also for appropriations and implementation in the next fiscal year.

[The prepared statement of Ms. Wohlbruck appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Ms. Wohlbruck, for a very fine statement. We will be communicating with you in this regard.

Our next and final witness is Mr. Stuart Hardy, the manager of food and agriculture policy, Resources Policy Department, U.S. Chamber of Commerce, here in Washington.

Mr. Hardy, we are pleased that you are here. You may proceed.

STATEMENT OF STUART B. HARDY, MANAGER, FOOD AND AGRICULTURE POLICY, RESOURCES POLICY DEPARTMENT, U.S. CHAMBER OF COMMERCE

Mr. HARDY. Thank you, Mr. Chairman.

I am going to keep my comments extremely brief because I think the other witnesses have brought out many of the points that we have made in our prepared testimony. I would simply like to underscore a couple of the points made here earlier this morning.

I am very pleased to be here and testify on behalf of the hundreds of local chambers of commerce in rural areas and to state their support for the approach outlined in H.R. 2026 and H.R. 1800.

Rural Main Street business people are an important part of the decisionmaking process in rural communities, and very often the political and volunteer leadership of communities is taken from local business and professional people. Rural chambers tend to be highly realistic and even fatalistic about the changes taking place in their communities. They are very well aware that many of the driving economic forces have global causes and implications; that their local economies are linked to an international economy in agriculture, energy, mining, and other sectors; and that even the Federal Government and Congress have little control over these driving economic forces.

Local chambers understand that fundamental restructuring of rural economies is now occurring and will continue to occur whatever policies the Federal Government may adopt. The key, and I think the key that has been stressed here this morning, is to give rural leaders, whether they be elected or appointed, whether they be on salaries or volunteer, to give those leaders the capacity and opportunity to respond to change, to expand their knowledge base and technical skills so that they can better assess their options and make better plans for the future.

The policies and programs contained in both H.R. 1800 and H.R. 2026 have the necessary characteristics to give rural leaders the support they need to cope with structural change and economic dislocations. Specifically, these bills are based on the concept of partnership, that is, working with local leaders and using Federal resources to leverage additional resources in the private sector. These bills recognize the great diversity in rural America and provide the flexibility and adoptability to be effective in addressing the huge variety of conditions in rural America.

We also appreciate and support the higher profile that H.R. 2026 would give to rural revitalization in the Agriculture Department. We think that is long overdue.

Finally, we urge the subcommittee to support legislation to create a secondary market for farmland mortgages. Of course, this legislation is under consideration elsewhere by the subcommittee, but we would hope that that would be part of any broad package for rural revitalization.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Hardy appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Hardy, for a fine statement. Without a doubt, we will be calling upon you for some consultation and advice as we move on.

I am going to take the same privilege that I did with the other panel and not ask questions of this panel, but reserve the right to communicate with you for any questions that we might have later.

Mr. Coleman.

Mr. COLEMAN. I will follow suit, Mr. Chairman.

I want to thank all of you who have supportive testimony for our bills. We appreciate that and we appreciate your coming to Washington to present those. Thank you very much.

Mr. JONES of Tennessee. Thank you, Mr. Coleman.

Dave Nagle.

Mr. NAGLE. Mr. Chairman, the last panel when I got ready to ask questions got up and left.

Mr. Chairman and Mr. Coleman, I'd like to congratulate you on your work this morning.

Diane and I moved here in January. Quite frankly, we felt about the first week nothing but awe, but also some anger in that people were going into stores and buying things, construction was going on, people were going to work. We transformed that back to Toledo, Iowa and New Hampton where people aren't going to work, stores are closing. I have maintained for a long time that the Main Street merchants, the business people, are the forgotten soldiers of this war that we're going through in rural America.

I think, Mr. Chairman, that I would be remiss if I didn't congratulate you and Mr. Coleman on your efforts. I pledge my full support to you. I think you've done yeoman's service here.

To the panel, I can only say one thing, and that is that I am disappointed that Under Secretary Myers did not stay to hear the real testimony of what's going on in rural America because the picture you paint and the picture he painted, I don't think they're on the same planet, let alone in the same country.

I just want to congratulate you for your insight and I want to congratulate the chairman and Mr. Coleman for their efforts in this area. I hope that we can move ahead and I hope we can use your expertise and pursue this very, very important topic.

Thank you.

Mr. JONES of Tennessee. Thank you very much, Mr. Nagle.

We appreciate the close relationship that we have here in the subcommittee. What Mr. Coleman and I have done is for the entire subcommittee after consultation and considerations that have been laid out before us.

We do hope to have legislation in shape before we finish this year in the 100th Congress. We're not sure that that can be done because there are other priorities, but these statements that we have had, the testimony that has been received will be perused and given very serious consideration before we go to the full committee with any form of a proposal.

We do thank you again for being here. We will be calling on you later for any advice that you might give us.

The subcommittee will stand in recess until Thursday morning at 9:30 a.m., at which time we will have a hearing on farm credit.

[Whereupon, at 12:43 p.m., the subcommittee recessed to reconvene the following Thursday, May 21, 1987, at 9:30 a.m.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF HON. E. THOMAS COLEMAN

THE RURAL DEVELOPMENT INITIATIVE:
A STRATEGY TO REBUILD RURAL AMERICA

Mr. Chairman, I am pleased to testify today before this subcommittee on the critical issues of rural development that I believe are addressed by H.R. 2026.

Two years ago, the Agriculture Committee devoted hundreds of hours devising a national farm policy to lift American agriculture out of its worst depression in half a century. While some of those policies may be working and others clearly not, the fact remains, it is an agricultural policy. This traditional policy of price supports and set-asides might have legitimately served as a rural policy in the 1930's; in the 1980's it does not.

In the 1930's, a quarter of the U.S. population lived on farms, and more than half of the rural population lived on farms. Today, only 3 percent of the U.S. population live on farms; but nearly 60 million people, or one-fourth of the U.S. population, live in rural communities. Traditional farm policies of the past are too narrow to address the complex economic and social problems facing rural communities today. They have failed to have any significant impact on the quality of life for the people who live in rural America.

The fact is, today's agricultural problems don't stop at the farm gate. It is a rural community crisis that has penetrated every sector of the rural economy and lifestyle, from its schools

to its health care services to the barbershop on Main Street. To address these problems, Congress must throw off its blinders and look beyond the farm to the farm family -- to the people who actually live on these farms and in these communities. They're going through terrible stress and trauma and need compassionate humanitarian assistance they just can't get from traditional farm program.

If these families and communities are to survive into the 1990's, we must develop a national rural development policy that is designed to meet the specific needs of rural America; it must provide assistance to help rural Americans during this period of economic and social transition and stimulate a diversified rural economy.

The American people are well aware of urban poverty in this country. But I don't believe they fully comprehend the poverty in rural America. Driving through most small towns and rural communities in this country is reminiscent of the dust bowl of the thirties. Streets are empty, shops are bordered up and shut down, bankruptcy and foreclosure notices fill the Town Hall bulletin boards and a dark cloud of gloom hangs in the air. The fact is that where the rural population of America contains only 24 percent of the nation's population, according to a 1985 Census Bureau report it holds 38 percent of the nation's poverty, 67 percent of the nation's substandard housing and has a 9.2 percent unemployment rate compared to the 7.2 percent unemployment rate of urban areas.

There has long been a gap between urban and rural income, but until recently that gap had been narrowing. Real per capita income in farm dependent counties has declined on an average annual basis since 1973. Specifically, the real per capita income in farm counties fell from 91 percent of the metropolitan level in 1973 to 76 percent in 1984.

Local governments, too, are losing revenue and are increasingly unable to fund basic community services. A 1986 report by the Senate Subcommittee on Intergovernmental Relations concluded that many local rural governments face the prospect of a shrinking revenue base for this decade and beyond. Rising tax delinquency rates in rural areas, dramatic declines in agricultural land values, and significant declines in nonfarm incomes and property values all support that conclusion.

While unemployment figures clearly point to an imbalance between urban and rural stability, underemployment statistics -- those which take into account part-time unemployment and substandard salaries -- provide a more complete picture of rural poverty and discontent. Because of their relative isolation, rural workers are less likely to find new employment opportunities in their communities. Consequently, periods of unemployment are longer in rural areas and the lack of new options have forced nearly one fourth of rural workers to work in jobs below their skill levels. In 1982, economic underemployment was 30 percent higher in nonmetro areas.

Rural businesses and banks are failing at record levels. In

1986, 138 FDIC-insured banks failed in the U.S. Fifty-nine, or 43 percent, of these were agricultural banks. The outlook for 1987, will be worse, according to the FDIC, which predicts there will be more bank failures nationwide this year.

In a recent survey by the Federal Reserve Bank of Kansas City, bankers reported that rural nonfarm businesses remained under far more financial stress than normal.

Bankers reported that more than one out of four rural nonfarm businesses in their trade areas were having severe financial problems. Bankers also reported that 5 percent of rural nonfarm businesses closed during the past year, a rate also considered four times normal. Farm equipment dealerships remain among the most stressed businesses; bankers reported that nearly 12 percent of the farm equipment dealers went out of business during the past year.

Without much hope and without work, people are choosing not to live in rural communities. Between 1983 and 1985, the population of nearly half the nation's rural counties declined. Unlike displaced rural workers before them, who found well-paying semi-skilled jobs in urban industries, today's rural residents may find very low-paying service jobs after being turned away at higher paying jobs which require specific technical skills. Displaced farmers are joining this group in record numbers. It is estimated that 2,100 farmers leave farming each week. One hundred and two farmers quit each week in Missouri.

To address the complex problems of rural America and restore

vitality to this important sector of the economy, Congress must develop and follow a national rural policy. The Rural Development Initiative (RDI) I have drafted is a blueprint for that policy. It addresses the human side of the rural crisis, and offers a realistic strategy to strengthen and rebuild rural economies.

RDI establishes counseling, informational and job training services to meet the immediate needs of hard-pressed farm families and displaced workers. It also places rural priority on government contracts, procurement and the location of new federal facilities, to spur new jobs and economic expansion in rural communities.

H.R. 2026, the Rural Development Act of 1987, is one of the four legislative proposals that comprise RDI. The main provisions of the bill would:

* Create a Rural Development Administration (RDA) within the U.S. Department of Agriculture to manage rural development and assistance programs. This should ensure better coordinated and more efficient management of those programs which are currently scattered throughout some 20 agencies of the federal government. This bill would also rename USDA the "Department of Agriculture and Rural Development " to accurately reflect its new comprehensive mission.

* Mandate a study by the General Accounting Office of rural programs outside the current jurisdiction of USDA and require GAO to advise Congress on the efficacy of transferring those

activities to the Rural Development Administration.

* Establish Rural Investment and Incentive Block grants to provide the seed capital for rural economic development and to encourage private sector investment and business enterprises.

* Establish Rural Infrastructure Block Grants to provide funding for rural infrastructure needs, such as road and bridge construction, utility extensions, and the development of necessary waste disposal and water supply facilities. A sound infrastructure is necessary not only to meet existing demands but also to attract new business and economic development for the future.

* Establish Rural Technology and Training Centers which through the cooperation of non-profit institutions will develop new products, processes and marketing techniques tailored for use in rural areas.

* Create Agriculture Action Centers to provide one-stop counseling, informational and job training services for troubled farm families and displaced rural workers. This builds on Section 1440 of the 1985 farm bill, a provision I drafted to provide immediate job training, educational counseling and mental health services for rural and farm families. The program is operating successfully in Missouri, Nebraska and Iowa through a $1.5 million grant secured for the program last year. The crisis in rural America did not happen overnight and it will not be resolved overnight. That's why it is so important to make these emergency services available to troubled families and displaced

workers today.

• Establish a national clearinghouse for emergency assistance, counseling and other services available to rural families through government, charitable and volunteer organizations.

• Establish a Special Assistant to the President to assist, advise, and make recommendations in order to improve and enhance rural development programs.

• Refocus attention on current law requirements regarding the location of federal facilities in rural areas. This provision provides the framework for two other bills I have introduced which require that rural suppliers be given priority consideration for government contracts and procurement programs as well as the location of new federal facilities. If Citibank of New York can move its entire credit card operation to South Dakota, surely the federal government can place new computer, communications or administrative operations in rural communities.

To encourage youngsters to remain in rural communities and prepare for leadership positions in a changing agricultural economy, I have also introduced a bill to expand advanced educational opportunities for rural youth. This measure, which includes the creation of an educational enrichment and rural scholarship program has been referred to the House Education and Labor Committee. It is, however, an essential component of an overall strategy to secure a stable future for rural America.

The Rural Development Initiative has received wide bi-

78-346 O - 88 - 3

partisan support from 53 House members including you, Mr. Chairman. It is a forward looking plan that addresses today's problems and provides the basis for a strong rural economy in the future.

(Attachment follows:)

Opinion

A-8

The Kansas City Times

Vol. 119 Tuesday, May 19, 1987 No. 217

A Promising Start

A plan to help promote rural development is scheduled for its first hearing on Capitol Hill this morning. But the effort, spearheaded by Missouri Rep. Tom Coleman, already has made progress.

Earlier this month, Coleman announced a $100,000 federal grant would be available to help high school students in northwest Missouri get extra help in preparing for careers off the farm. It is a pilot project for what Coleman hopes will be an idea that spreads around the nation.

Essentially, the program is aimed at helping rural students by providing job counseling, workshops and practice in taking college entrance exams. Volunteers from local communities are encouraged to provide jobs for the youngsters. Finally, supporters hope to expose students in rural school districts to computers and their benefits.

Coleman's staff reports that the response of administration officials to the rural development initiative has been encouraging the last two months. Chief of Staff Howard Baker has responded favorably in several meetings with Coleman; co-sponsors in the House have come from urban and rural areas.

The initiative has several solid points in its favor. This is not going to be a multibillion-dollar handout to get farmers back on their feet, or banks back in business. Rather, the bill is aimed at slowly rebuilding strength in rural areas, starting with the youth.

If they can be convinced they have a shot at a good future in small towns, they will be more likely to stay. And if that happens, businesses will thrive and homes will be better kept.

For now, Coleman is trying to get parts of his program implemented on a piece-by-piece basis. Grabbing the money for the pilot project on education was one example.

So far it's been a strong start for a plan that could take years to put in place. That's not surprising. The problems of rural America accumulated over several decades. It will take some time to try to heal those wounds.

MR. WEBER
TESTIMONY BEFORE THE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVL.
MAY 19, 1987

IT'S A PLEASURE FOR ME TO BE HERE TODAY AND TESTIFY IN SUPPORT OF THE "RURAL DEVELOPMENT REORGANIZATION ACT OF 1987."

ACTION ON THIS LEGISLATION IS CRITICAL BECAUSE THE NEED TO DIVERSIFY THE RURAL ECONOMY IS CRITICAL. THE FARM CRISIS HAS TAKEN A HEAVY TOLL ON MAIN STREET, SHUTTING DOWN MANY BUSINESSES THAT DEPENDED SOLELY ON THE AG ECONOMY. IN THE PART OF MINNESOTA I REPRESENT, WE HAVE LOST TWO MAJOR EMPLOYERS--FACTORIES EMPLOYING OVER 750 PEOPLE--IN THE LAST SIX MONTHS, AND SCORES OF SMALLER BUSINESSES IN THE PAST TWO YEARS.

THE ANSWER TO THE ECONOMIC PROBLEMS OF OUR TOWNS DOES NOT LIE SOLELY IN A RECOVERY OF THE AG ECONOMY. AS AGRICULTURE HAS BECOME BIGGER AND LESS PROFITABLE, MANY OF OUR SMALL TOWNS CAN NO LONGER SURVIVE ON AGRICULTURE ALONE. IT'S A LITTLE LIKE TRYING TO STAND ON A ONE-LEGGED STOOL. TO OFFER STABILITY TO THE SMALL TOWN ECONOMY, WE NEED TO ADD MORE LEGS TO THAT STOOL. WE NEED TO OPEN UP NEW MARKETS AND PROVIDE NEW OPPORTUNITIES FOR RURAL AREAS.

OVER A YEAR AGO, A GROUP OF US IN THE HOUSE FORMED THE RURAL DEVELOPMENT TASK FORCE TO WORK ON AN AGENDA FOR RURAL DEVELOPMENT. CONGRESSMAN COLEMAN'S BILL--WHICH OFFERS A BLUEPRINT FOR RURAL DEVELOPMENT--IS AT THE CENTER OF THAT AGENDA. A NUMBER OF US ON THE TASK FORCE JOINED HIM AS ORIGINAL COSPONSORS WHEN HE INTRODUCED IT IN APRIL. ALTHOUGH I AM NOT HERE TODAY AS AN OFFICIAL REPRESENTATIVE OF OUR TASK FORCE, I CAN TELL YOU THAT MEMBERS OF THE TASK FORCE ARE BEHIND THIS LEGISLATION AND WILL BE PUSHING FOR ACTION ON IT.

I WANT TO HIGHLIGHT SEVERAL PARTS OF CONGRESSMAN COLEMAN'S BILL THAT I THINK ARE ESPECIALLY IMPORTANT.

THE CREATION OF A RURAL DEVELOPMENT ADMINISTRATION WILL CREATE A FOCUS

WITHIN THE FEDERAL GOVERNMENT FOR RURAL DEVELOPMENT. RIGHT NOW RURAL DEVELOPMENT PROGRAMS ARE SPREAD THROUGHOUT THE GOVERNMENT, NOT ONLY IN THE DEPARTMENT OF AGRICULTURE, BUT ALSO IN A NUMBER OF OTHER AGENCIES IN OTHER DEPARTMENTS. WE NEED TO CONSOLIDATE AND COORDINATE THESE PROGRAMS. IT WILL MAKE THEM MORE EFFICIENT--AND MORE ACCESSIBLE TO THE SMALLER COMMUNITIES THEY ARE INTENDED TO SERVE.

THE ESTABLISHMENT OF CENTERS FOR RURAL TECHNOLOGY DEVELOPMENT WILL BE A TREMENDOUS ASSET IN DIVERSIFYING THE RURAL ECONOMY. THROUGH TRAINING, TECHNICAL ASSISTANCE, LOANS, AND GRANTS, THESE CENTERS CAN PROVIDE IMPETUS FOR NEW PRODUCTS AND THE OPENING OF NEW MARKETS. MANY FIELDS COULD BE DEVELOPED FURTHER THROUGH THE USE OF SUCH CENTERS. A NUMBER OF INFANT INDUSTRIES--LIKE THOSE INVOLVING SPECIALTY CROPS AND INDUSTRIAL USES FOR AGRICULTURAL COMMODITIES--COULD UTILIZE THESE CENTERS TO DEVELOP AN ENTIRELY NEW FIELD.

THE AGRICULTURE ACTION CENTERS EXTEND THE WORK CONGRESSMAN COLEMAN BEGAN IN SECTION 1440 OF THE FARM BILL. THESE ONE-STOP CENTERS WOULD PROVIDE DISPLACED FARMERS A NUMBER OF SERVICES--JOB RETRAINING, COUNSELING, IMPORTANT INFORMATIONAL SERVICES. BELIEVE ME, THE NEED FOR THIS KIND OF PROGRAM IS CRITICAL IN MANY PARTS OF THE UPPER MIDWEST.

I'VE TOUCHED ON A FEW SECTIONS OF CONGRESSMAN COLEMAN'S BILL. LET ME MAKE ONE OTHER POINT. CONGRESSMAN COLEMAN'S LEGISLATION SHOWS THAT A RURAL DEVELOPMENT BILL CAN MOTIVATE ECONOMIC GROWTH WITHOUT FINANCING IT THROUGH UNMANAGEABLE FEDERAL OUTLAYS. MANY OF THESE MEASURES INVOLVE REORGANIZATION OF GOVERNMENT AGENCIES, GREATER ACCESS BY RURAL AREAS TO CURRENT GOVERNMENT PROCUREMENT PROJECTS, AND TARGETED ASSISTANCE THAT WILL LEVERAGE ECONOMIC GROWTH IN THE PRIVATE SECTOR.

PASSING THIS AUTHORIZING LEGISLATION IS VERY IMPORTANT. AS A MEMBER OF THE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE, I CAN TELL YOU THAT THIS BILL WILL GIVE US AN INCREASED ABILITY TO WORK FOR RURAL DEVELOPMENT ON THE APPROPRIATIONS COMMITTEE.

I'D LIKE TO THANK CONGRESSMAN COLEMAN FOR THE LEADERSHIP HE HAS TAKEN

ON THIS CRITICAL ISSUE. I'D ALSO LIKE TO THANK CHAIRMAN JONES FOR HIS COMMITMENT TO RURAL DEVELOPMENT AND THE LEADERSHIP HE HAS TAKEN IN WORKING TO CREATE JOBS AND DIVERSIFY THE RURAL ECONOMY.

THOSE OF US WHO SUPPORT RURAL DEVELOPMENT WANT TO WORK ACTIVELY WITH THE ADMINISTRATION. I'M VERY PLEASED THAT UNDERSECRETARY MYERS IS HERE TODAY FROM THE DEPARTMENT OF AGRICULTURE TO TESTIFY ON THIS BILL. THE ADMINISTRATION'S SUPPORT IS ABSOLUTELY CRITICAL IF WE'RE GOING TO MAKE RURAL DEVELOPMENT A NATIONAL EMPHASIS.

THANK YOU. I'LL BE HAPPY TO ANSWER ANY QUESTIONS YOU HAVE AT THIS TIME.

TESTIMONY OF PETER C. MYERS

DEPUTY SECRETARY

U.S. DEPARTMENT OF AGRICULTURE

BEFORE THE

CONSERVATION, CREDIT AND RURAL DEVELOPMENT SUBCOMMITTEE

HOUSE AGRICULTURE COMMITTEE

MAY 19, 1987

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to be with you today to discuss a topic of importance.

I refer to H.R. 1800, H.R. 2026 and accompanying bills relating to rural development.

Just four days ago, Mr. Chairman, we observed the 125th anniversary of the founding of the Department of Agriculture. The 37th Congress, in the authorizing legislation, assigned to this new arm of Government [the ability] "to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture in the most general and comprehensive sense of that word, and to procure, propagate, and distribute among the people new and valuable seeds and plants."

You will notice the words "the people" appear twice in that one sentence. From that, the Department long ago became known as the "people's department." We have gone from a largely rural nation of 32 million people to a highly industrialized and technological society with a population eight times as large. Yet, today, a work force of less than 3 percent of the nation's

current population provides more than abundant food and fiber for our country and many others as well.

The Department of Agriculture, through those 125 years and still today, is proud to continue to serve rural America and be responsive to their needs.

A few years ago, the farm population found itself in a downswing that produced a severe cost-price squeeze for many. With massive government assistance, it is now beginning to recover from those difficult years.

During those uncertain days, the ability of the "people's department" to adapt to changing times and conditions enabled it to extend a hand. In the last five years, $81 billion has been disbursed in the form of CCC loans and farm program payments. CCC outlays exceeded $25 billion last year alone. The Farmers Home Administration made farm loans totaling more than $21 billion during that period and has provided substantial credit forbearance to its borrowers. The 1985 Food Security Act is working. Under the Act, we have provided over $6 billion annually under various export assistance programs. The 1985 Act is helping make our farm products competitive in world markets, as it was intended to do. As a result, many of the economic signs are pointing upward.

So, while keeping the farmer ever in mind, the "people's department" must now turn its attention to the farmers' neighbors -- to Main Street, U.S.A.; those neighbors that buy the farmers' products and sell him most of the materials needed to produce them. Their financial health is influenced by the farmers'

economic wellbeing. So all of the help we have been giving to farmers is also important to rural communities, generally.

Farming is the dominant economic activity in many parts of rural America, and we want to continue to nurse it back to health. However, all parties with an interest in the future of rural America have to look at strategies that will diversify the rural economy. Planning officials at all levels of government, plus private industry, must look for economic activities that fit in the rural community.

You have recognized this, Mr. Chairman and Mr. Coleman, in the form of the legislation being considered. We commend your foresight and your compassion, and we want to work hand in hand with you as we go along this road together.

This Administration has carried out many programs over the last six years that have aided rural America. Today, we wish to make it known that the Department wants to reemphasize its commitment to rural America. Mr. Chairman, we are proud of our record in this area, and I'd like to supply to the record just a few of those contributions. They are as follows:

- o Administration support for production agriculture has been impressive. The FY 1987 federal outlays for farm programs are expected to nearly equal FY 1986's record $25.8 billion. The situation in the agricultural sector is improving as a result of lower interest rates, large government transfer payments, reduced debt, good profit margins on livestock and an improving export picture. Further improvement will have a positive effect on many rural communities. The Administration's efforts on

agricultural policy reform can hasten this improvement, and together with our efforts on global agricultural reform, lead to a healthier agricultural sector in the long term.

- The President's proposed $980 million Worker Readjustment Act will counsel, retrain, assist in relocation and in a job search for displaced workers. For the first time, farmers will be included in a program such as this.

- Tax reform will provide additional revenue for many States to deal with the rural problem. It is estimated that over 30 States may receive a windfall.

- The President has proposed a number of significant energy security steps which are still pending in Congress. The proposals are: repeal of the Windfall Profit Tax; comprehensive natural gas reform; approval of the Department of the Interior's five-year offshore oil and gas leasing plan; permitting environmentally sound energy exploration and development of the Arctic National Wildlife Refuge; ensuring the future viability of nuclear power through nuclear licensing reform, and reauthorization of the Price-Anderson Act.

  In addition, the President has suggested that Congress consider several steps that will lead to more exploration and development, reduce early well abandonment, and stimulate additional drilling activity. These steps include two tax changes of a relatively technical nature:

repealing the transfer rule and increasing the net income limitation on the percentage depletion allowance from 50 percent to 100 percent. The President is also prepared to support a Strategic Petroleum Reserve fill rate of 100,000 barrels per day provided budget offsets are made available to cover the higher costs of the fill rate. Also to encourage exploration and development, the Administration is reducing the minimum bid requirement for Federal offshore leases from $150 to $25.

- o The Administration has taken trade action in wood products that will help rural communities. The President took positive action in the Section 201 case on Canadian shakes and shingles, and we have negotiated a resolution to Canadian subsidies of hard wood.

- o The Administration has also re-negotiated the multifiber agreement on terms no less favorable than previous and signed tough agreements with the "Big Three"; Hong Kong, Taiwan, and Korea.

- o In response to downturns in the agricultural and energy sectors of the economy, the three federal bank regulatory agencies adopted a four-part program to assist agricultural and energy banks in dealing with their problem loans.

  -- First, the agencies began allowing well-managed banks to operate with capital below the usual minimum

requirements if the banks provided reasonable plans to increase capital and return to good health.

-- Second, the agencies encouraged banks to restructure problem loans without incurring losses in certain circumstances.

-- Third, bank public reporting requirements were revised to segregate restructured but performing loans from the nonperforming category so as to reflect better the true level of problem loans.

-- Finally, federally chartered banks that have suffered a decline in the legal lending limits since December 31, 1985 -- and therefore their abilities to continue to meet the legitimate credit needs of their good customers -- were granted an increase in legal lending limits from the standard 15 percent of capital to as much as 20 percent of capital.

o In FY 1986, USDA procured between $825 and $880 million from rural small business.

o Over the last two years, the Economic Development Administration has redirected its assistance to rural communities. In FY 1986, approximately 75% of EDA's program allocations went to rural areas.

The Administration's commitment to rural America is based on a recognition that change is going to continue, and that we

cannot limit our vision to the financing of a few industrial parks that may never fulfill their promise. We have tried this approach in the past and have learned that it simply doesn't work. We must look at today's problems in terms of today's needs with an eye on tomorrow.

All interested parties need to look at the basic elements that make a rural society work, and at alternative means of providing these elements: the public facilities such as water systems, the availability of venture capital, education, transportation and healthcare. All these, and more, are essential to any modern American community. A careful review of the Federal role in these areas is also essential.

We must not confuse our role as a partner in this undertaking, nor should we mislead the people in their expectations. The most important role will be that of the people -- making their decisions, allocating their resources, using their own ingenuity and setting their own horizons. The Federal Government will be an active and willing associate, working with the people and their local institutions, both public and private.

About six months ago, the President established the Task Force on Rural Communities, consisting of 20 high-ranking government officials and chaired by the Under Secretary of Agriculture for Small Community and Rural Development. The Task Force cuts across all Federal agencies having rural responsibilities.

It has been hard at work. It has considered many concepts in its search for a proper Federal response to rural needs. Some would require legislation; some could be put into action simply

by a decision to do so. The Task Force made a report to the Economic Policy Cabinet Council at the White House with recommendations for action by all pertinent Federal agencies.

The Cabinet Council responded to the Task Force's suggestions with the following plan: The Task Force on Rural Communities would become an on-going working group of the Economic Policy Cabinet Council. The Secretary of Agriculture will chair the Task Force, and its mission is to: 1. seek better coordination of Federal rural development programs; 2. hold meetings and hearings on the effects of Federal programs and regulations on rural communities; and 3. develop further policy proposals for consideration by the Economic Policy Cabinet Council.

In addition, executive branch agencies having rural programs will develop initiatives to address the problems of rural Main Street. USDA is taking the lead; today, we are announcing a Department 6-point Rural Regeneration Initiative.

Mr. Chairman, our six steps are: One, the Extension Service, which has a nationwide staff in place, will place additional priority emphasis on rural revitalization education. As one of the Department's largest agencies with direct public contact, Extension will work with State officials, county officials, community leaders, colleges and universities to develop education and training programs best suited to the community's needs, to build on local institutions, and to expand interest in those specialized concerns.

The Secretary will ask the Joint Council on Food and Agricultural Science to report to him within 90 days on the feasibility of setting up rural technology centers at land grant

universities as another step in improving the educational process.

Two, Rural Enterprise Teams consisting of four or five specialists will be organized to go, on call, to communities, counties or States to assist in business development, job training, financial management and the like.

The teams will be prepared to offer ideas and information to help a community refine its needs. They will work, if requested, to help develop action plans for long-range improvements.

Three, an information clearinghouse will be established at the National Agricultural Library with an 800 telephone number. Rural community officials will be able to get up-to-date information about Federal programs available to them in a single phone call and will be referred to the appropriate agency for follow-up.

This could be especially helpful to those smaller communities with leaders who serve in office on a part-time basis. It can be difficult and time-consuming for them to thread their way through the many Federal programs to find ones suitable to their needs.

Four, we will instruct all USDA agencies with a research mission to increase their efforts devoted to rural economic development. Some research questions that need to be answered include: What is the actual need for nonfarm full-time and part-time workers in rural communities? What types of businesses are needed in a given area? What types would be best suited? What resources are available? Are modifications to the infrastructure needed? What markets exist or can be developed?

Five, We will redirect the Farmers Home Administration's FY 1987 Business and Industry Guarantee Loan Program; and ensure that our new regulations for the Rural Development Loan Fund Relending Program are leveraged so that available funds will be used to create more jobs and give preference to those communities under the greatest stress.

The Farmers Home Administrator already has directed field offices to be alert for opportunities to assist family-sized enterprises, especially in communities where farmers and their families are trying to make the transition to nonfarm occupations.

This redirected program, together with the assets of our new rural development loan funds transferred from the Department of Health and Human Services, can become a valuable rural business rebuilding program.

Six, to ensure that this rural rebuilding undertaking is given the priority it deserves, its overall direction and coordination will be placed in the Deputy Secretary's office. That way, I can be certain that it retains a central office focus with the full backing of the Secretary.

In addition to these six initiatives, appropriate personnel within USDA will look into the potential of further contracting and procuring from rural business.

Our plan is comprised of six integral parts: coordination, information, technical assistance, research, education and business capital. And, Mr. Chairman, our proposal can be done within the President's Budget and the Gramm-Rudman-Hollings deficit reduction targets.

As you can see, Mr. Chairman, the Department has many resources available to assist rural communities and residents. We can build on existing strengths. Many of the proposals in H.R. 1800 and H.R. 2026 can be implemented administratively, as outlined in our plan.

We support the concept of H.R. 2026 and have embodied several of its aspects in our six points. However, we object to some portions of the bill which could prove too costly. We are always aware of the looming deficit that will crush all Americans alike, if we aren't mindful of ways to keep it down.

We do oppose renaming the Department and a Special Assistant to the President on Rural Policy.

Our opposition in each case is based on both philosophical and practical grounds. USDA has meaning -- and instant recognition -- for the cattle grower, the corn producer, the homemaker, the foreign grain broker, and Main Street, U.S.A. Simply put, it's not broken, and it doesn't need fixing.

We also oppose rural block grants on the basis that most of the program sources of funding for a rural block grant have been proposed for termination in the President's FY88 Budget, because these programs have proven to be ineffective and have failed to meet their objectives.

We stand ready to cooperate with you in working out any refinements that may be needed.

Mr. Chairman, we in the Administration care; we are concerned; and we are committed to work with you and the committee to assist rural America.

Thank you, Mr. Chairman. That completes my statement. If you have questions, I will be happy to answer them.

Statement submitted by:

Mr. Norman C. DeWeaver

Center for Community Change

My name is Norm DeWeaver. I am with the Center for Community Change, a private nonprofit technical assistance and public policy organization serving community-based groups in many low income areas throughout the United States. I appreciate the opportunity to appear before the Committee.

I commend the Committee for its willingness to take a new look at the development challenges facing rural areas. I hope that this will lead to a new start toward a more active federal role in rural development.

It's been a while since there have been any new federal initiatives in this field. The most recent was the infusion of funds into several existing federal programs as part of the 1983 "jobs bill." The next most recent goes back to the start of the decade and the events which led up to the Rural Development Policy Act of 1980.

For most of the 1980's rural communities have watched as federal support for community development withered and federal interest -- outside the agricultural sector -- waned.

During these years the economic structure of many small towns has undergone substantial change. The changes resulting from shifts in the farm economy are familiar to all of us. At the same time, other areas where farming is not the major economic activity have also undergone profound shifts as resource based industries, manufacturing and services have all changed. Designing new federal initiatives to help rural areas must take these changes into account.

The Committee has several worthwhile proposals under consideration. In one sense, however, the most important task is not debating the merits of any of the possible approaches. The most important task is making a fresh start by adopting one or more doable ideas, ones likely to lead to immediate action in local communities, and adopting them now.

I'd like to look first at HR 1800. This is a bill which would make that doable start now. Its programs are all action oriented. The assistance would go directly to local communities and local community groups. The programs address the key needs of helping such groups establish or expand their capability to deal with local development needs.

HR 1800 would not require any large scale restructuring of

any federal agency. Its price tag is clearly one the federal budget can bear.

I urge the Committee to use this as the vehicle to make a new start in providing federal assistance for rural development.

The central program idea in HR 1800 is the business development grant approach in Section 3. You can't stimulate development, particularly in economically distressed rural communities, without developers -- local community leaders and local community groups that can make things happen. The Section 3 grant program provides the potential to sustain the public purpose, private nonprofit or public agencies that help to stimulate economic growth.

These grants would make it possible for such community development organizations to explore new business ideas that would tap local resources, to find and help business people who can translate these ideas into reality and to work to mobilize the capital to finance them.

Prototypes of such organizations have taken root in a number of parts of the country. I am particularly familiar with ones serving chronically depressed rural areas. In upper New England, local nonprofit community development corporations have

worked to start or expand manufacturing and fisheries based companies. In Central Appalachia, a community group has made a special effort in the wood products field, trying to provide greater stability for local people caught in the boom and bust cycles of the coal industry. Manufacturing has been a focus in northwestern Mississippi, while trade is a major effort for a rural development corporation serving remote communities in Alaska.

All these groups provide examples of the ways in which community-based development organizations can make things happen in communities where they otherwise wouldn't. The business development grant program in HR 1800 would help to sustain and expand such efforts.

The bill also provides for a modest increase in the business financing capabilities of the Rural Development Loan Fund. The RDLF is an idea whose history goes back more than twenty years. Dormant for a time, the Fund was reborn through the efforts of a number of community-based development groups in the latter 1970's. It was transferred to a new home in the Farmers Home Administration through the provisions of the 1985 farm bill.

The RDLF authorizes federal loans to flow, at concessionary rates, to local, areawide and regional development organizations.

These borrowers can then relend or invest the proceeds in local business ventures. This mechanism takes the responsibility for project selection out of the hands of federal staff and places it in locally-based agencies whose sole or principal purpose is local community development, which typically have their own capital at risk in the loan pool and which can operate with the speed and flexibility available only to private institutions.

HR 1800 would augment the capital available to the RDLF, currently dependent on repayments from old loans or funds never committed when originally appropriated. The capital base of the RDLF would be enlarged by $20 million per year over the next five years. In addition, $25 million would be authorized for a companion grant program.

Beyond these economic development initiatives, HR 1800 would make one other small, but important innovation, vital to the well being of a number of rural communities. Section 4 would extend the valuable and proven community programs of the Farmers Home Administration in several new directions.

A $10 million grant program would enable local community organizations to try different ways to insure that rural people now lacking basic safe drinking water services get them. This is particularly important for isolated families and very low

income rural households currently beyond the geographic or economic reach of the type of central system facilities which FmHA now supports. The program would also recognize the fact that in some communities -- especially the smallest -- the problem is not necessarily the construction of facilities. The problem may be one of improving management skills or the operation and maintenance practices of the water system utility itself.

Farmers Home has said that it cannot finance these types of needs, like paying hookup fees for very low income families, through its existing water and waste disposal programs. HR 1800 provides a solution by authorizing a program that can.

I'd like to turn next to the other major legislative proposal before the Committee, HR 2026. In several respects, HR 2026 takes a different approach to the question of new federal rural development initiatives. It promises one new, large scale block grant program in Title VII and mandates a major restructuring of the Farmers Home Administration.

At the same time, HR 2026 includes two smaller scale, doable now initiatives of the type that make the programs in HR 1800 so attractive. These are the Rural Technology Grant program in Title III and the Agriculture Action Centers grant

program in Title IV. Both could be started immediately with modest funding and build on tested concepts.

In establishing the technology program, I hope that the Committee will emphasize that not all technical innovation occurs within the walls of a traditional institution of higher education. Community-based educational groups can and have undertaken important R&D efforts. The ability of the technology centers to involve private individuals and business research efforts is also key.

Several of the most important aspects of HR 2026 concern the role of state government in rural development, particularly the state rural development planning provisions in Title II and the block grant in Title VII. Before moving forward with these, I think the Committee should carefully weigh the experience with similar approaches over the last 15 years, since the establishment of the block grants of the early 1970's.

State plan requirements attached to federal funds may, in some cases, foster communication among state agencies. However, they don't dissolve the institutional obstacles which make joint action difficult, whether at the state or the federal levels. From the perspective of local community development groups,

state planning documents rarely speak to what's needed, on the ground, in a specific community setting.

As far as the block grant initiative is concerned, I think we should look carefully at the experience under the block grant we already have -- the Small Cities portion of the state-administered Community Development Block Grant program. When this program started, there was an attempt in many states to spread the money around for the sake of touching as many places as possible with limited attention to need. In a time of increasing federal budget restraint, I don't think this is the most cost-effective way to reach the rural communities with the greatest claim on federal assistance.

A closer look at what the states have already done and what the small cities portion of the CDBG program is currently doing may be useful in designing an incentive grant approach for the states, rather than adding one more somewhat formless block grant to the federal inventory.

The opening language in HR 2026 would change the name and the organizational structure of USDA to emphasize its rural development mission. I certainly have sympathy for the concept involved.

However, changing names and boxes on the federal organizational charts won't really lead to changes in the quality of life in poorer rural communities. How many such communities were enriched when we transformed the Assistant Secretary for Rural Development at USDA into an Under Secretary about seven years ago?

What counts at the community level are programs and money. No federal organizational shifts can compensate for a budget request which, for a depressing number of years, has called for the elimination of programs like the water-sewer programs in Farmers Home.

I think we should try for a new start in program initiatives and then deal with the federal agency structure question after we are more certain of what we want to do and whether we are willing to appropriate the money to do it.

In closing, I would like to stress again that it's the new start that counts. It's the fresh initiative, authorized and funded, that local community leaders need to convince them that the federal government is again willing to be an active partner in rural development activities.

Statement

of

Roy M. Palk

Executive Director of Operations

National Rural Electric Cooperative Association

before the

Committee on Agriculture

Subcommittee on Conservation, Credit and Rural Development

United States House of Representatives

on

Innovative Development Strategies in Rural America

May 19, 1987

Washington, D.C.

Mr. Chairman and distinguished Members of the Committee:

It is my pleasure to appear before you today on behalf of the more than 25 million Americans in 46 states who rely on NRECA member systems to supply dependable and affordable electric energy for their homes, farms and businesses. The leadership of the nation's 1,000 consumer-owned rural electric systems greatly appreciate the ongoing interest and support which our program has received from the members of this panel.

The rural electric family is uniquely positioned to understand and appreciate the problems facing rural America. Our rural electric co-op member systems can say, without equivocation, that rural America is facing its most severely trying situation since the Great Depression. Because of the increased complexity of the national economy, the problems may have deeper roots and may be much more difficult to eradicate.

We commend the Committee for taking an active, concerned leadership role in this regard, and we offer our full support and assistance to the Committee in carrying out those initiatives that can make a difference for the rural areas we serve.

Let me speak to those rural areas. While other sectors of the economy have improved since the last recession, the situation in rural areas has either remained static or deteriorated. The gap between rural and metropolitan areas has widened in terms of the measurable statistics available -- unemployment and underemployment, poverty, substandard housing, health care facilities and a host of other categories.

Rural electric systems reflect the economic decline which has drastically reduced load growth for many of our systems. In fact, today, 222 of the nation's 930 rural electric distribution systems are losing consumers.

The problems facing many of our systems have spurred initiatives to expand our already considerable base of service and assistance to rural consumers. And our members, Mr. Chairman, have told us emphatically and repeatedly that they want to do more.

THE ROLE OF THE RURAL ELECTRIC COOPERATIVES

Recently, NRECA held a series of four field hearings across the country which were attended by 500 rural electric directors and managers. The predominant sentiment expressed at each of these hearings was that the Rural Electrification Administration (REA) and the rural electric systems must become more involved in community and economic development, that our member systems must become activists, catalysts for development.

The matter of expanding REA's role into rural economic development is one that has been intensively studied by NRECA. We will discuss this important point later in this testimony. Let me touch on a few of the national efforts which NRECA has spearheaded this past year, efforts which have led rural electric cooperatives to:

Sponsor local "health fairs" to screen large numbers of rural Americans for early signs of disease or disability and to provide them with information on how to live healthier lives;

Join the NRECA-sponsored National Rural Telecommunications Cooperative (NRTC), a group that will direct the development of satellite-based telecommunication services for consumer, educational and rural utilities business applications;

Focus new initiative on economic development programs in rural areas. For example, hundreds of co-ops are making use of a "how to" manual on economic development compiled and disseminated by the NRECA staff. The manual is designed to provide community leaders with information on matters such as promoting job creation from existing local business and industry, attracting new employers to the community, improving a community's potential as a location for economic investment, and preparing an economic development plan.

These are but a few of the programs rural electric co-ops are undertaking on a nationwide basis. It does not take into account the numerous other ways in which rural electric co-op systems -- on their own initiative -- are assisting their consumers and the vital role that rural electric co-ops across the country play in community and economic development.

I think it is worth mentioning that since the 1960s, when statistics began to be kept, rural electric systems have been involved in community and economic development efforts that have created nearly one million new jobs.

REA'S CONTINUING ROLE

Mr. Chairman, REA is critical to these continued efforts. REA is and should continue to be the solid foundation upon which rural electrification is built. We are pleased to hear that the Committee shares that view, and very much appreciate the Committee's leadership in this area. We also appreciate the Committee's continuing strong support for the concept of a Rural Electrification Administration that is relentlessly aggressive in seeking solutions to the very serious problems facing our nation's rural areas, and by extension, to our nation's rural electric cooperatives. This is not, however, the agenda of this REA Administrator, nor unfortunately, of this Administration.

Historically, the loan programs of the Rural Electrification Administration and the technical support which comes through that agency -- the programs in which the federal government and a local community form a cooperative, a working partnership to accomplish a specific objective -- have proven to be exemplary models of how other such programs could work.

To get to the heart of the matter, the reason the rural electrification program has been so successful is because it is a federal program that is locally implemented, locally operated and locally controlled.

It is essential that any rural development programs incorporate the same federal-community partnership that has made rural electrification so successful. We strongly believe this same relationship is absolutely critical if federal rural economic development programs are to be effective.

We have seen that when the few on the top of the pyramid dictate with great specificity the exact nature and extent of use of federal programs, the benefits are negligible. It is difficult, at best, and more likely impossible for a rigid, Washington-based program to be responsive to the actual, changing needs and conditions of a local community.

Furthermore, an inaccessible, unwieldy program is probably worse than no program at all in terms of what it can accomplish.

As recent Congressional field hearings have revealed, monies from federal programs are only partially used because of the difficulty in accessing them. These programs are not being used by the people for whom they were intended. In addition, we have found that it is extremely difficult for communities to get needed grants and loans because they are directed and disbursed by several different federal agencies, there is no single, ready source or expertise available for the part-time, small community administrator to determine what is available and how to get to it.

Simplification and consolidation under one -- or at least fewer -- roofs would appear to be desirable. This fact lends added credence to our view that one federal entity could serve in an "umbrella agency" role.

JOINT REA/LOCAL RURAL ELECTRIC CO-OP PARTNERSHIP EFFORTS

It is the small communities with the greatest need which do not have the access to technical assistance and federal money.

It is also these same communities -- many of them at least -- in which the rural electric cooperative is an influential, competent business with deep roots and a sincere and vested interest in improving the financial condition of the cooperative, the community's economy and quality of life of its citizens. In these communities, the rural electric cooperative is in a position to serve as a catalyst for economic and community development efforts.

This concept provides what we believe to be the most viable solution: to invert the pyramid by placing these small, grassroots communities at the top, so that economic and community interests and concerns provide the motivation for improvement activities.

The network for this concept is already in place.

REA, the federal agency, already has a long-standing relationship with one of the major components of the rural community, and there is the commitment, certainly on the part of the rural electric cooperatives and most probably among the professionals at REA, to make these programs work and to produce the jobs and economic stimulation our rural areas so desperately need.

Therefore, a special, blue-ribbon panel of rural electric leaders is studying the expansion of the role of the REA to include economic development activities and to expanding the mission of rural electric systems throughout the nation to include community and economic development.

Having said that, Mr. Chairman, we must point out that rural electric systems could not take on the additional role of rural economic development without some help. It will be a long and difficult task to bring the necessary economic and employment diversity to rural areas. And it will require a substantial investment from the rural electric cooperatives and their communities with a sustained helping hand from government.

We offer some specific directions the Congress might examine to forge the effective, sustained working relationship between local communities, their rural electric cooperatives and their government to make these programs successful.

THE RURAL COMMUNITY -- THE CORE TO ECONOMIC REVITALIZATION EFFORTS

We believe that by working together through the combined REA/local rural electric co-op effort one small success can lead to another, and we have some ideas on how we ought to go about getting this under way.

Two homegrown "megatrends" are that "small is good" and that alongside high-tech is the need for "high-touch." These are rural characteristics. As we develop policies and ignite old and some new programs to revitalize the rural economy, we should not neglect to accentuate these characteristics, for they are what so many have found to be truly appealing about rural America, and based on numerous studies -- including one conducted by NRECA -- these are the real "incentives" for those who have chosen to live in rural America.

Before I discuss specific ideas, I would like to touch upon the core basis for any innovative rural development solutions.

Federal programs often seem to rural people to be at once at a distance and very indirect.

Many programs have been designed with other than local and user needs and wants as their bases. Funds go unused and programs are inaccessible because of the lack of emphasis on local community involvement, local program design and local implementation. It makes sense to allow for reasonable options and choices by those who would use the programs. The more stringent federal regulations are, the more the objectives of the program will be diluted or ineffective. There are sound reasons for a flexible national strategy from the bottom up, making the local community the center of the design. Again, this brings us back to the very nature of the rural America: i.e., "small is good," coupled with the "high-touch," or the personal touch.

The community is an essential component of the social well-being of rural Americans. The community is even more influential where the population density is low.

The problems of rural America are community problems with community solutions, and state and federal systems must positively reinforce this approach.

Within these local communities, rural electric cooperatives can be mobilized as the most effective advocates for community and economic improvement.

Finally, community-based programs should develop talents and resources which will provide long-term improvement, not "quick fixes."

NRECA RECOMMENDATIONS FOR RURAL DEVELOPMENT AND ECONOMIC REVITALIZATION

We recommend that all federal rural programs be examined and with a view to redesign, so that funds are targeted to be more sensitive to rural conditions. We strongly concur with the central theme of the article in the Kansas City Federal Reserve's Economic Review by economists Mark Draberstott, Mark Henry, and Lynn Gibson, that one does not have to choose between those things that make economic sense and those that are socially desirable: both are possible with good planning.

Specifically, at the center of our recommendations are three key points:

1. Put the design and implementation of rural development programs back with the grass roots local community by providing simplified access and minimal, flexible regulation to provide the community with greater latitude and options.

2. Consider using the REA and rural electric cooperatives as a conduit for rural development programs to provide necessary liaison, support, technical assistance and coordination functions in the community.

3. Consolidate and simplify rural development programs and consider putting them all under one roof.

These three key innovative ideas are expanded below with specific recommendations that stem from our frequent and systematic contact with the heart and mind of rural America.

We strongly recommend:

1. Legislation to mandate the consolidation and simplification of rural development programs, such as housing, business and community development loans and grants and other essential public services and planning. This would maximize the effectiveness of these programs.

2. Allowing rural electric cooperatives to invest funds in other community services such as water and sewer systems. Eliminate present limits on rural electric systems' ability to participate in such activities. This would allow for more funds for essential rural services.

3. Accommodating liens of other lenders to facilitate rural electric cooperative financing required for rural development projects.

4. Use rural electric cooperatives and their proven network of generation and transmission cooperatives, statewide associations and distribution cooperatives as catalysts for the initiation of economic development plans, to help with applications for grants and loans, and to provide a place to meet and plan programs locally.

This is in the true tradition and commitment of rural electric cooperatives to provide service in the community and is based on the principle that solutions which are community-based are most likely to work.

5. Support programs that encourage technology transfer, for example, the joint NRECA/TVA project currently under way, which can be channelled to local communities throughout the country. This transfer will give local communities access to tried and proven programs developed over the years by TVA. These programs should be vigorously monitored to find out scientifically what works and what does not work in community economic development and what modifications have to be made to make these programs work.

6. We recommend consideration of an job training/infrastructure rebuilding project. This would employ displaced rural workers, improve the infrastructure for economic development and keep people in rural areas where they want to live. The motivation to rebuild one's own community clearly will work to benefit the people, their communities and the country.

7. Banking and Financing - Because of the difficulty in financing rural development projects, we recommend the creation of a rural development bank which would guarantee loans and become a secondary market for local banks. There is a need for a federally created finance bank which deals in secondary markets and pooled projects to assist local banks to finance projects and to finance start-up businesses and infrastructure development.

8. Promote rural telecommunications, which provides electronic highways that instantly remove the economic arguments of geographic isolation. A related recommendation is to improve digital switching capabilities in rural areas. Rural areas must have the latest telecommunications capabilities, to be on line economically. We have helped to form a National Rural Telecommunications Cooperative to help insure access equity for bi-directional business data transmission and TVRO programming.

An attachment to my written statement will provide the Committee with some additional background and statistical data to further support NRECA's recommendations.

Mr. Chairman, we all have a pretty dismal picture of the economic situation in rural America. And I won't quibble that it is so.

Yet, I would like to point out several things that make our rural electric leadership, rural people themselves and me confident that though the road to recovery may be long and treacherous, we can make the journey.

The first thing . . . and this takes us back to the deliberations and actions of this august body in decades past . . . reflects the effects of public policy put in place years ago.

For example as a result of such social reforms as Social Security and the implementation of retirement programs, many of the people who have chosen to spend their golden years in rural America have disposable income beyond the day-to-day living expenses. That's one kind of market.

These people are also a strong source of participation in the rebuilding efforts. Many are experts in the skills and disciplines necessary to these efforts, and many have the expendable time to roll up their sleeves and pitch in.

There are also, Mr. Chairman, valuable assets which have developed in rural areas as a result of the rural development and highway transportation programs of the 50s and the 60s and beyond.

For example, for the most part, we have a workable, efficient interstate highway system which makes it possible to move raw materials and products from rural areas to the cities.

Though we still have a long way to go in this respect, many communities have improved community infrastructure facilities such as water and sewage treatment and fire protection. This has resulted from some of the programs discussed earlier.

Rural electrification is a prime, shining example. The Rural Electrification Act of 1936 has literally transformed the face of rural America, and our member systems are constantly improving service, heavying up to meet increasing demand, providing sophisticated energy planning for residents, businesses and industries. They are an indispensable building block component as we work for more jobs.

Educational facilities in rural areas, while perhaps not up to the standards of a polytechnical high school in Brooklyn, or Cleveland or Baltimore, are sound and turn out students who can read and write and continue to learn. And the availability of modern electronic communication techniques cannot help but to improve their capabilities.

There is, as well, in rural America, a well-documented work ethic, a work ethic that pushes evermore toward more efficient production, toward more efficient technology. And there is a work force in which that ethic is engrained.

These qualities and facilities comprise a sound, strong foundation on which to build for rural America's future.

And, Mr. Chairman, we've talked economics and jobs and banking and deregulation here today. But, I think it is important to maintain some perspective on what it is we're trying to preserve. What we're after here is the maintenance of a life and workstyle that is basic to this country's development and philosophy. And that is worthy of our best effort.

Mr. Chairman, I would be pleased to respond to any questions you or any of the Committee members may have. Thank you.

78-346 0 - 88 - 4

ATTACHMENT

KEY DEMOGRAPHIC TRENDS

First of all, we think the demographics that follow confirm our view that rural economic development ought to be community based and that efforts should focused on retention and expansion of existing industries rather than the attraction of major new industry.

* The service sector is providing most new rural jobs -- 1.1 million new jobs from the years 1976 to 1984 -- and both large and small firms are contributing to that expansion. These jobs are often at lower salaries than metro-related jobs.

* Small manufacturing firms contributed 185,000 new jobs in rural areas, while large firms generated only 76,000 new jobs (during the same period from 1976 to 1984). This seems to argue for a strategy of promoting small manufacturing companies which create jobs that require the skills possessed by displaced rural farmers and other workers.

* In 1985, the non-metro unemployment rate averaged above 9 percent, more than 2 points higher than the metro rate. The non-metro rate has fallen much more slowly than the metro rate during the current recovery. These figures are even worse than they appear, however, since they fail to include the under-employed, those who have dropped out of the job race and those who have exhausted their unemployment benefits. Ninety percent of all counties with extremely high unemployment rates are rural.

* The non-metro poverty rate was 18.3 percent in 1985 compared to 12.7 percent for metro areas. During the most recent recovery from the recession of the early 1980s, the metro rate has improved while the non-metro rate has not. Thirty-eight percent of the nation's poor and 67 percent of all substandard housing are in rural areas.

* The proportion of total family farm income earned from off-farm sources has increased from an average of 40 percent in 1960 to more than 72 percent in 1983, reflecting the expanding need for off-farm jobs for the small, family farmer.

These statistics provide a stepping-off point to constructive community action supported by state and federal governments and they reflect the desperation of many rural communities. Typically, a rural community losing jobs and people embarks upon a course of industrial recruitment to save the day. It is not a viable economic development strategy because it doesn't work. Why?

* As many as 25,000 development agencies around the country compete for the few thousand companies that relocate each year.

* States and communities in the competitive rush put together incentive packages, "giveaways" to attract new industry.

* Many companies attracted with the artificially sweet incentives either leave when the incentives run out or use the relocation as a springboard to leave the country.

State, county and local governments have realized that they cannot compromise their future by giving away the store, and rural communities must heed that lesson: companies relocating in rural areas must pay a fair share. A substantial financial commitment ensures that a company will want to stay rather than seek a better deal somewhere else.

If, on the other hand, the reasons for locating in a community are access to a reliable, skilled, educated and committed work force and a healthy, clean environment in which to work and make profits, then the company is more apt to stay as a long-term citizen.

However, it is our studied opinion that these options are few and far between, and that businesses already in place offer a much higher potential for the creation of permanent jobs.

DIFFICULTIES IN RURAL CAPITAL FORMATION

There is a trend in banking which is similar to the trend in farming, fewer, but larger operations. Predictions are that in ten years the present 14,000 commercial banks will be reduced by half. These larger banks, as with other large business organizations may well be less concerned with local communities, with only minimal interest in making funds available for local business development. It is not difficult to envision, with the interstate branch banking fostered by deregulation, that branch banks will siphon off local funds into national money markets, even into international investments.

The dangers of banking deregulation on rural communities, as reinforced by results observed in airline deregulation, are a reduction of banking services, a reduction of fixed-rate, long-term loans, increased cost of banking services and reduction of services, money flowing out of the community and loss of interest by bankers in local investments.

In comparison to other banks, rural unit-banks are usually small, geographically isolated and serve relatively undiversified markets. These characteristics restrict the type and maturity of loans and the ability to attract deposits and non-deposit loanable funds, reducing their ability to serve as financial intermediaries.

Rural banks play a prominent role in supplying credit in rural markets because of the lack of other financial institutions. These banks remain important to the traditionally dominant segments of the rural economy: consumers, agriculture, housing and small and medium size businesses.

The main role of banks in the agricultural credit market is for short term rather than long term credit. The relative importance of banks in supplying both types of farm credit has been declining.

Local governments finance their activities principally through taxes, federal and state grants-in-aid, and the bond market. The new tax law has put a burden on small communities because it has removed tax exempt financing of development projects. Rural governments as well as rural banks are in a poor competitive position due to their small size and isolated locations, which makes participation in larger financial markets more difficult.

Most studies have been consistent with the idea that local commercial banks supply small business with most of their financial needs. Commercial banks are only able to provide short and intermediate term debt financing due to the nature of their loan funds. Federal programs such as FmHA, SBA, HUD, and EDA have been utilized only to a limited degree by rural small businesses.

The volume of loans and loan guarantees from such services have always been limited. The most prevalent sources for financing of small business have been the owner's saving and borrowing from family, friends and associates.

New ways of financing rural development projects through local banks have to be developed. Without these financial resources, rural areas will always be trailing behind in correcting the imbalances between metro and non-metro America.

# # #

Central Bank for Cooperatives

P.O. Box 5110
Denver, CO 80217
303/740-4000

TESTIMONY ON RURAL DEVELOPMENT

Presented by
Jack Cassidy
on Behalf of the Farm Credit System's
Bank for Cooperatives
Before the House Committee on Agriculture
Subcommittee on Conservation, Credit
and Rural Development
May 19, 1987

Mr. Chairman, I appreciate the opportunity to appear before your committee to address the subject of rural development.

My name is Jack Cassidy. I am a vice president and manager of rural utility relations with the Central Bank for Cooperatives in Denver, Colorado. I am appearing here today on behalf of the Farm Credit System's twelve district Banks for Cooperatives and the Central Bank.

I will be presenting testimony on the positive economic effects of the Banks for Cooperatives' credit programs. In addition, I will discuss possible ways for the banks to promote new and expanded economic

development in rural areas.

The twelve district Banks for Cooperatives and the Central Bank for Cooperatives provide financial services to about 3000 agricultural cooperatives and rural utility systems. The banks currently have about $8 billion in loans outstanding. The repayment record has been very good despite the problems in the agricultural economy. During 1986, about $4.6 million in loans were charged off.

Agricultural cooperatives and rural utility systems--and the credit programs they depend on--have a significant effect on the rural economy.

For example, the latest information available shows that the 70 largest borrowers of the Banks for Cooperatives have total annual sales in excess of $33.0 billion and assets of $28.0 billion.

The latest Fortune 500 list of industrial enterprises includes 15 agricultural cooperatives--14 of which have a banking relationship with the Banks for Cooperatives. These 15 agricultural cooperatives have about 60,000 employees--nearly all located in rural areas.

These statistics demonstrate the important economic contribution being made by the borrowers of the Banks for Cooperatives. These statistics also indicate the significant role the banks and our borrowers could play in contributing to the revitalization of rural America.

Like our nation's farmers, many cooperatives and utility systems--and

the banks as well--are taking steps to adjust to the changes taking place in the rural economy. As agricultural cooperatives and rural utility systems adjust to today's economic environment, they have new and somewhat different financing requirements.

For example, agricultural cooperatives and some rural utility systems--especially telephone systems--need to diversify and bring in new capital to strengthen their operations. This can be accomplished by forming subsidiaries, joint ventures, or partnerships to initiate new business activities--activities that are sometimes different from the original business but related to serving the needs of member-owners.

If adequate capital is available, new business activities would create jobs and economic expansion in rural areas while strengthening the agricultural cooperative or utility system. Unfortunately, the farmer-owners of many of these organizations do not have the capital necessary to initiate new businesses. This problem could be overcome by utilizing capital from other sources. However, the Banks for Cooperatives' lending authorities currently prohibit the financing of subsidiaries or partnerships that include capital investments from ineligible entities.

I will provide the committee with two specific examples.

A large agricultural cooperative in the southeast that has traditionally been involved in providing fertilizers, pesticides, and other chemical inputs is in the process of building a paper mill.

This diversification is necessary because the demand for agricultural chemical products has declined significantly.

The mill will be located in an area with an unemployment rate in excess of 16 percent. The paper mill will be using proven high-technology and will eventually employ about 800 workers. The mill will require a capital investment of about $300 million.

The project has been in the development stage for several years and the Banks for Cooperatives have been the lead lenders from the very beginning. This is a good project from every perspective. However, it could be made better. Several of the 41 newspapers which have already contracted to purchase paper from the mill would like to purchase an equity interest in the venture.

The advantage to the agricultural cooperative of entering into a partnership arrangement would be to lower the risk of its member-owners, strengthen the financial condition of the project, utilize a wider variety of expertise, and eventually allow for a larger operation that would employ perhaps an additional 500 workers.

However, under current law, the Banks for Cooperatives can finance only wholly-owned subsidiaries of an eligible borrower. We do not have the authority to provide financing for the partnership just described.

In this instance, it is likely that the agricultural cooperative will be prevented from taking the best course of action from a business and

economic development perspective simply because its long-time lender--the Banks for Cooperatives--cannot finance a subsidiary or partnership that includes equity investments from entities ineligible to borrow from the banks.

In the second example, a group of rural telephone systems--most of them individually eligible to borrow from the Banks for Cooperatives--are seeking to finance a statewide rural cellular telephone project. If this proposal is successful, it will help strengthen the operation of the independent rural telephone systems and provide what is rapidly becoming an essential service to rural areas. Yet, the Banks for Cooperatives are unable to provide the financing for this partnership.

These two cases are just a sampling of the steps agricultural cooperatives and rural utility systems are taking to diversify and strengthen their operations. These types of adjustments to today's economy are not only the result of good business decisions but have the added benefit of creating jobs and bringing new capital into rural areas.

As the primary lender for many of the agricultural cooperatives and rural utility systems that are making such adjustments, the Banks for Cooperatives are being called on to provide appropriate financial services.

The Farm Credit System is considering a legislative proposal to clarify the Banks for Cooperatives' lending authorities to finance

partnerships, subsidiaries, and other ventures--provided that an eligible borrower or group of borrowers maintains a majority interest or control of the operation. Such a clarification of the Banks for Cooperatives' lending authorities would promote economic development in rural areas and strengthen the financial condition of our borrowers--and do so at no cost to the government.

I want to commend this committee for considering ways to improve economic conditions in rural America. The Farm Credit System's Banks for Cooperatives are well situated to play an important role in helping to revitalize rural America and we look forward to that challenge. I appreciate the opportunity to present our views on this subject.

I will be happy to respond to any questions.

--

TESTIMONY

U.S. HOUSE OF REPRESENATIVES
AGRICULTURE COMMITTEE
SUBCOMMITTEE ON CONSERVATION,
CREDIT AND RURAL DEVELOPMENT

MAY 19,1987

PRESENTED BY:

Jeffrey J. Fox
Vice-President of
Legislation
Communicating for Agriculture

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE. I AM JEFF FOX, VICE PRESIDENT OF LEGISLATION OF COMMUNICATING FOR AGRICULTURE (CA). I AM HERE ON BEHALF OF CA.

COMMUNICATING FOR AGRICULTURE IS A NATIONAL NONPROFIT NONPARTISAN ORGANIZATION WHOSE MEMBERS ARE PRIMARILY FARMERS, RANCHERS AND SMALL BUSINESS PEOPLE. CA HAS OVER 40,000 MEMBERS NATIONWIDE AND MEMBERS IN OVER 45 STATES.

CA SURVEYS ITS MEMBERS ANNUALLY. THROUGH THIS SURVEY, OUR MEMBERSHIP CHOOSES AND RANKS THE ISSUES WE WORK ON.

COMMUNICATING FOR AGRICULTURE, SINCE IT BECAME A NATIONAL ORGANIZATION (TEN YEARS AGO), HAS BEEN INVOLVED IN A NUMBER OF ISSUES AFFECTING THE QUALITY OF LIFE IN RURAL AMERICA.

CA HAS BEEN INVOLVED AT THE STATE AND NATIONAL LEVELS ON SUCH ISSUES AS BEGINNING FARMER PROGRAMS, DEBT RESTRUCTURING AND IS RECOGNIZED AS AN EXPERT ON HEALTH RISK POOLS.

COMMUNICATING FOR AGRICULTURE THROUGH ITS MEMBERSHIP AND ITS LEASDERSHIP HAS DETERMINED THAT RURAL DEVELOPMENT IS A TOP PRIORITY. WE BELIEVE THAT RURAL AMERICA CAN PROVIDE THE WORK FORCE, THE QUALITY OF LIFE AND THE OPPORTUNITY FOR GROWTH IN NEW AND EXPANSION OF EXISTING SMALL BUSINESS.

RURAL AMERICA HAS A HIGHLY QUALIFIED, TRAINABLE AND WILLING WORK FORCE.

WITH THE GROWTH OF HIGH TECH AND SERVICE INDUSTRY JOBS THE WORK FORCE IS NO LONGER REQUIRED TO LIVE IN LARGE METRO AREAS. THUS, RURAL AMERICA'S QUALITY OF LIFE CAN NOW BE ATTAINED.

SMALL BUSINESSES, WHICH FIT WELL INTO RURAL AMERICA'S LANDSCAPE, CONTINUE TO PROVIDE MORE AND MORE OF OUR NEW JOBS.

COMPARISION

	Small Business	Large Business
1976	34,834,418	33,512,802
1984	45,126,964	40,229,053
Net gain in jobs	10,292,546	6,716,251

In another comparison:

	Small Business	Large Business
1980	45,585,170	39,282,320
1984	49,868,711	40,479,307
Net gain in jobs	4,391,541	1,196,986

* (FIGURES FROM THE NATIONAL FEDERATION OF SMALL BUSINESS)

FROM 1980 TO 1984 SMALL BUSINESS PROVIDED MORE THAN 2 NEW JOBS FOR EVERY ONE NEW JOB PROVIDED BY LARGE BUSINESSES.

IN SEPTEMBER OF 1986 CA STARTED WORKING WITH THE UNDER SECRETARY'S OFFICE OF THE DEPARTMENT OF AGRICULTURE, ON A RURAL DEVELOPMENT PROGRAM CREATED BY SECTION 1323 OF THE 1985 FOOD

SECURITY ACT. THIS PROGRAM IS DESIGNED TO BENEFIT RURAL AMERICA. THIS PROGRAM IS DESIGNED TO PROVIDE GUARANTEED LOANS AND GRANTS TO DEVELOPMENT IN RURAL COMMUNITIES. IN APRIL OF 1987, CA'S BOARD OF DIRECTORS PASSED A RESOLUTION WHICH STATES:

"BE IT RESOLVED BY THE ASSEMBLED MEMBERSHIP OF COMMUNICATING FOR AGRICULTURE THAT CA SEEK COOPERATION BETWEEN PRIVATE ORGANIZATIONS AND ALL LEVELS OF GOVERNMENT TO PROMOTE RURAL AND COMMUNITY DEVELOPMENT WHICH WILL ENHANCE FAMILY FARMS, RANCHES AND SMALL BUSINESSES IN RURAL AMERICA."

CA, IN THE PAST, HAS HAD GREAT SUCCESS AS A CLEARING HOUSE OF INFORMATION ON VARIOUS SUBJECTS ON A STATE BY STATE BASIS. SINCE APRIL, COMMUNICATING FOR AGRICULTURE HAS BEEN GATHERING INFORMATION AND DATA ABOUT STATE DEVELOPMENT PROGRAMS.

WE HAVE FOUND IN OUR INITIAL CONTACT WITH THE STATES THAT THERE ARE AS MANY PROGRAMS AS THERE ARE STATES. EACH STATE USES A DIFFERENT TERMINOLOGY; STATE "A" MAY CALL THEIR PROGRAM JOBS DEVELOPMENT; STATE "B", MAY CALL THEIR PROGRAM ECONOMIC DEVELOPMENT; STATE "C" MAY HAVE SOME OTHER DEFINITION. SOME STATES HAVE NO SUCH PROGRAMS OR THEIR PROGRAMS HAVE NO FUNDING.

WE HAVE PROVIDED, TO THE COMMITTEE, AN INITIAL SUMMARY OF WHAT WE ARE FINDING AT THE STATE LEVEL FOR ECONOMIC/RURAL DEVELOPMENT PROGRAMS. THIS INITIAL SURVEY IS NOT BY ANY MEANS COMPLETE, AND WE WILL CONTINUE TO GATHER THE NECESSARY INFORMATION. ALSO, INCLUDED WITH THAT INFORMATION IS SOME BACKGROUND INFORMATION ON COMMUNICATING FOR AGRICULTURE.

CURRENTLY CA IS WORKING ON A MODEL FOR RURAL DEVELOPMENT. WE ARE LOOKING AT COMMUNITIES THAT HAVE HAD SUCCESS IN CREATING

NEW ECONOMIC OPPORTUNITIES. WE HOPE TO HAVE THIS MODEL COMPLETED IN THE NEAR FUTURE. WE WILL THEN MAKE THE MODEL AVAILABLE TO OTHERS WHO ARE TRYING TO CREATE NEW ECONOMIC OPPORTUNITIES IN RURAL AMERICA.

BECAUSE STATE PROGRAMS VARY, WE BELIEVE THAT ANY FEDERAL PROGRAMS INVOLVING RURAL DEVELOPMENT NEED TO BE FLEXIBLE IN ORDER FOR EACH STATE TO ADAPT. WE RECOGNIZE THAT WHEN AN ENTITY APPROPRIATES MONEY FOR A SPECIFIC PROGRAM OR PROJECT THEY WILL HAVE TO HAVE SOME TYPE OF CONTROL ON HOW THAT MONEY IS SPENT. HOWEVER, IT IS WIDELY ACCEPTED THAT LOCAL INPUT, IMPLEMENTATION AND CONTROL IS NEEDED IN ORDER FOR ECONOMIC DEVELOPMENT PROJECTS TO BE SUCCESSFUL.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, THERE HAVE BEEN DISCUSSIONS AND PROPOSALS TO BRING EXISTING AND/OR NEW RURAL DEVELOPMENT PROPOSALS UNDER THE CONTROL OF ONE AGENCY OR ENTITY. WE SUPPORT THIS EFFORT. WE SEE THE SAME THING TAKING PLACE AT THE STATE AND LOCAL LEVELS. THESE ACTIONS HAVE ELIMINATED MUCH OF THE CONFUSION AND PROVIDE BETTER ALL AROUND INFORMATION AND SERVICES.

IN TALKING WITH STATE ECONOMIC DEVELOPMENT OFFICIALS IT HAS BECOME CLEAR THAT THEY BELIEVE THAT EXPANSION AND START UP OF NEW AND EXISTING BUSINESSES WILL BE CREATED FROM LOCAL AREAS, (50 - 100 MILE RADIUS) THROUGH LOCAL IDEAS AND FROM LOCAL PEOPLE. ONE OF THE ELEMENTS TO ENSURE SUCCESS AT THE LOCAL LEVEL IS FOR THE LEADERS TO HAVE ACCESS TO INFORMATION. IN ORDER TO ACQUIRE THIS INFORMATION, THEY NEED RESEARCH. IN ORDER FOR THE RESEARCH TO TAKE PLACE, THEY NEED FUNDS.

NEW JOBS MUST BE CREATED IN RURAL AMERICA TODAY. WE DO NOT BELIEVE THAT MOVING A BUSINESS FROM ONE STATE OR COMMUNITY TO ANOTHER CREATES NEW JOBS. WE BELIEVE THAT NEW IDEAS CREATE NEW JOBS. UNFORTUNATELY THESE NEW IDEAS ARE UNTESTED AND THUS THERE IS AN ELEMENT OF RISK INVOLVED.
BECAUSE OF THE RISK INVOLVED THERE IS A NEED FOR RISK CAPITOL. RISK CAPITAL BEING THOSE MONIES THAT CAN BE USED TO START UP NEW BUSINESSES. MOST CONVENTIONAL LENDERS ARE UNLIKELY TO PROVIDE FUNDING OF THESE NEW BUSINESSES BASED ON NEW IDEAS.

THIS IS AN AREA IN WHICH GOVERNMENT (WHETHER LOCAL, STATE OR NATIONAL) CAN PLAY A VERY IMPORTANT PART. THIS CAN BE DONE WITH LOAN GUARANTEES OR GRANTS.

WE DO BELIEVE THAT THE WORK THAT IS BEING DONE BY THIS COMMITTEE IS CRUCIAL TO RURAL AMERICA. THIS COMMITTEE'S WORK, AND HEARINGS SUCH AS THIS HELP DRAW AND FOCUS THE PUBLIC'S ATTENTION ON THE NEEDS OF RURAL AMERICA. ALL OF US KNOW, THAT THE NEED FOR RURAL DEVELOPMENT IS VERY REAL AND IN IT LIES THE FUTURE OF OUR RURAL COMMUNITIES.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, AS I STATED EARLIER, WE LOOK FORWARD TO WORKING WITH YOU ON WHAT WE BELIEVE IS A LONG TERM PROJECT, A LONG TERM PROCESS. ONE OF THE BENEFITS OF BEING A NONPROFIT, NONPARTISAN ORGANIZATION IS THAT WE SOMETIMES CAN WORK IN AREAS THAT OTHERS CANNOT. WE FEEL THAT THIS IS A VERY USEFUL TOOL, NOT ONLY TO OUR MEMBERSHIP, BUT ALSO TO OTHER GROUPS AND ENTITIES THAT WE WORK WITH.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I KNOW THAT YOU ARE

PRESSED FOR TIME. I'VE ATTEMPTED TO KEEP MY REMARKS BRIEF. AT THIS TIME I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE OR IF ANYONE WOULD LIKE TO CONTACT US LATER, WE WOULD BE HAPPY TO PROVIDE YOU WITH INFORMATION THAT WE HAVE.

THANK YOU MR. CHAIRMAN, MEMBERS OF THE COMMITTEE. WE APPRECIATE THE TIME AND EFFORT THAT YOU HAVE PUT FORTH ON BEHALF OF RURAL AMERICA.

(Attachment follows:)

COMMUNICATING FOR AGRICULTURE

INITIAL FINDINGS ON

STATE ECONOMIC DEVELOPMENT RESEARCH
MAY 15, 1987

ALABAMA's Department of Agriculture has formed a study unit designed to "seek creative solutions" to the problems of depressed rural areas.

ARIZONA--The University of Arizona is currently trying to develop an apple-growing industry in Cochise County, which is now a depressed area in which cotton traditionally has been raised.

CALIFORNIA has ambitious rural economic development plans underway. Its "Rural Renaissance Program" was approved in September and became official in January, with two components: Eight million dollars already appropriated, available to California's 41 rural counties on a $2 per capita basis, for the funding of projects that can result in job creation and economic revitalization; and an infrastructure grant and loan program, to fund public improvements that would serve economic development purposes. The current state budget bill, now pending in the legislature, would appropriate $30 million for the latter component.

COLORADO governor has set up a series of committees focusing on agriculture, development and tourism. There are five committees for each, one for each part of the state. Meetings of the committees started in April and the relationship between the three areas of concern is being stressed. Recommendations coming out of these meetings are expected to result in legislation, including rural development legislation.

CONNECTICUT is extend[illegible]ome efforts in job retraining and is working to attract [illegible]dded industries. However, according to a spokesperson, no [illegible]at deal has been achieved to date.

FLORIDA's Department of Agriculture recently hired a specialist, Dr. Clifton Savoy, to develop a rural development plan for the state. The first thrust of it is a piece of legislation now pending called the "Agricultural Economic Development Policy Act," whose language aim is the creation of jobs in rural areas without polluting the environment. The thrust is to be especially toward developing new industries based on the potential that already exists, rather than attracting existing

industry away from other states. Value-added projects are being especially emphasized, and business assistance planning and various types of incentives would be offered. The legislation has just passed out of both agriculture committees.

GEORGIA's Department of Agriculture has a policy of locating its newer laboratories and facilities in rural areas, to stimulate the economy when possible. The state also builds livestock facilities in rural areas and leases them to private individuals.

IDAHO's legislature recently created a small agricultural marketing board to help farmers sell their products.

ILLINOIS' Legislature is currently considering a "Harvest the Heartland" legislation that would provide different sources of funding for research into the development of a number of activities in connection with agricultural diversification and agriculture-related technology. In 1986, Governor James Thompson announced a number of rural development related actions, including a number of research projects aimed at diversification and value-added agricultural activities, as well as a requirement that at least 25 percent of state expenditures be directed toward rural areas.

INDIANA's legislature just passed a bill appropriating $400,000 per year for a value-added center, to develop new uses for agricultural products and attract value-added industries.

KANSAS--A Commission on the Future of Kansas, consisting of farmers, bankers, etc., has initiated some proposals that are expected to be the basis for legislation. Rural economic development, with emphasis on food processing plants, etc., is one of the areas emphasized. Diversification is another. The report is not yet printed in final form. Also, Kansas State University has a Kansas Center for Rural Initiatives, which is basically a study and research group, aimed at developing ideas in a number of areas to help the rural sector, including rural economic development.

KENTUCKY Department of Agriculture has initiated a program called FARMLOT, a computerized service which attempts to match producers and markets.

MAINE's legislature is now considering a "Job Opportunity Zones" measure, introduced at the governor's request. It would provide incentives for job creating in designated areas.

MARYLAND is emphasizing an Agriculture Development Plan that is now in developmental stages. It's due on the governor's desk July 1, after which hearings for public input will be scheduled. The result is due to be crafted into legislation for the 1988 session. It is felt that a well developed aquaculture industry could do more for the rural part of the state than anything else, and could eventually rival the state's broiler industry.

MINNESOTA--The Minnesota Legislature is considering a piece of

all-around economic development legislation that started out has rural and still has strong rural components. Among other things, it would establish a Rural Development Board, which would have access to a $9.3 million rural rehabilitation fund and could provide loans and investments in rural areas to stimulate development or create new jobs. It would also invest money in companies that would create new jobs in depressed areas.

NEBRASKA's Legislature is considering an agricultural promotion bill which would create new agriprocessing and diversification positions in the Department of Agriculture. The bill is expected to pass within two weeks. The legislature is also considering a bill to give tax credits to businesses who hire at least 20 people. It's aim is not specifically rural, but it is felt that it would help rural areas. Yet another bill would establish 12 different centers to encourage and promote (with counseling, financing, etc.) new businesses getting started.

NORTH DAKOTA's Department of Economic Development is working toward a number of goals, most of which relate to the development of "home-grown" industries, especially in the value-added area. Some results have been achieved through these efforts. The thrust isn't strictly rural, but much of it materializes in rural areas.

NORTH CAROLINA seems to be the current leader among states in rural economic development efforts. The current efforts stem from a Jobs Commission created 18 months ago by the Lt. Governor's Office. Thirty-eight recommendations came out of the commission, and while many of them included the rural sector, three were specifically rural; Tax credits for jobs for distressed rural areas, state assistance to communities for water and sewer funds, and the formation of a Rural Economic Development Center. The latter is now underway, chartered as a nonprofit organization with a Board of Directors and seed funding from state foundations and corporations. The legislature is now considering an annual $2 million appropriation for it. The center is envisioned as an area in which the public and private sector can come together and coordinate their activities and identify needed new initiatives and expansion of existing efforts. Also, the center is seen as a clearinghouse for information on rural economic development activities nationwide. Information is already being gathered in all states. Research and development projects are also a priority item with the center.

OHIO's Agricultural Extension Department is working with the state and local governments to attract industries. Also, Ohio State University has a Business Retention and Expansion Program, which emphasizes the retention aspect and offers some advice and state funding to municipalities toward this end. It isn't aimed specifically at the rural sector but it is felt that it does provide much assistance to the rural sector.

OKLAHOMA's legislature is currently considering bills related to rural economic development. One would authorize loans through

the Treasurer's Office for farmers who want to diversify. The other is a study bill, on the feasibility of setting up food processing plants in Oklahoma.

PENNSYLVANIA's governor has recommended a budget now under consideration in the legislature that would contain a $3 million line item for agriculture diversification. It would provide state assistance and matching loans for value-added industries and research projects for new uses for animal waste.

SOUTH CAROLINA is working to develop more agricultural diversification and state agriprocessing industry. The Department of Economic Development and the Agriculture Department are working together to get more agriprocessing industries into the state, stressing lower transportation costs to population centers such as New York City and Washington, D.C. Also being offered are incentives for diversification. For example, work is being done to develop crawfish and kiwi fruit industries in the state.

SOUTH DAKOTA--Raised its state sales tax by 1% for one year to generate new state revenues for economic development. Anticipation of $40 million will be generated which will be used to create new jobs, etc. This is to be a revolving fund. A Commission has been created to administer the program.

TEXAS' Department of Agriculture has for a number of years been working, through financial incentives, for the establishment of more agriprocessing facilities in the state. The Department also provides incentives and assistance for agricultural diversification. A number of accomplishments have been made in both areas. Currently, the legislature is considering a legislative package collectively known as the "Agricultural Development bills" that would greatly increase the incentives for agriprocessing and diversification.

VIRGINIA has a Rural Development Foundation to encourage industries to locate in rural areas and to encourage entrepreneurship, but it hasn't gone into effect because of lack of funding. There has been no state appropriation for it because it was assumed that the state was going to get some money that was earmarked in the U.S. Farm Bill for state rural economic development purposes. However, according to a Department of Agriculture spokesman, the money apparently went to other states.

WYOMING's Economic Development and Stabilization Board is involved in a number of financing projects relating to value-added industries, both agricultural and industrial. It's been in operation two years, and a number of food processing plants have been started as a result. The Agriculture Department is also helping individuals to develop food-related industries, particularly in the gourmet area, but also those dealing with cattle slaughtering and sheep products.

National
Association of
Towns and Townships

STATEMENT OF THE
NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS
AT HEARINGS BEFORE THE
HOUSE AGRICULTURE COMMITTEE
CONSERVATION, CREDIT AND RURAL DEVELOPMENT SUBCOMMITTEE
MAY 19, 1987

MR. CHAIRMAN, MY NAME IS JEFFREY SCHIFF. I AM EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS. OUR MEMBERS ARE MORE THAN 13,000 TOWNS, TOWNSHIPS AND SMALL COMMUNITIES NATIONWIDE WHICH ARE REPRESENTATIVE OF THE MAJORITY OF GENERAL PURPOSE GOVERNMENTS IN THE UNITED STATES. THAT STATISTIC MAY BE A SURPRISING ONE FOR MEMBERS OF THE COMMITTEE, BUT IT IS IMPORTANT TO VIEW OUR TESTIMONY IN LIGHT OF THIS FACT: OF THE 39,000 GENERAL PURPOSE LOCAL GOVERNMENTS IN THE UNITED STATES -- THAT IS, EVERY MUNICIPALITY, COUNTY, TOWN AND TOWNSHIP -- SEVENTY-TWO PERCENT ARE UNDER 3,000 IN POPULATION. HALF OF ALL GENERAL PURPOSE GOVERNMENTS ARE UNDER 1,000. WE ARE A NATION OF SMALL TOWNS, MR. CHAIRMAN, AND WE THINK IT'S IMPORTANT FOR THE FEDERAL GOVERNMENT TO REMEMBER THAT.

I KNOW THAT I AM SINGING TO THE CHOIR HERE, BECAUSE I KNOW YOU RECOGNIZE THE CRITICAL SITUATION FACING OUR SMALL GOVERNMENTS AND THEIR CITIZENS. ON BEHALF OF ALL OF OUR MEMBERS I WANT TO THANK YOU FOR INITIATING A DIALOGUE THROUGH THE INTRODUCTION OF YOUR "RURAL REVITALIZATION ACT OF 1987," WHICH CONTAINS VALUABLE AND SENSITIVE PROVISIONS DIRECTED AT IMPROVING THE ECONOMIC CLIMATE IN RURAL AMERICA.

1522 K Street, Northwest, Suite 730 Washington, D.C. 20005 Telephone: (202) 737-5200

WE SUPPORT PROGRAMS SIMILAR IN CONCEPT TO YOURS, MR. CHAIRMAN, AND STAND READY TO HELP GAIN SUPPORT FOR YOUR IDEAS. MUCH CAN BE ACCOMPLISHED THROUGH PROGRAMS DESIGNED TO PROVIDE CAPITAL AND TECHNICAL ASSISTANCE TO SMALL COMMUNITIES. WE APPLAUD YOUR APPROACH BECAUSE IT DOES NOT TRY TO SCALE DOWN MASSIVE PROGRAMS TO FIT SMALLER COMMUNITIES, BUT RATHER RECOGNIZES THE NEED TO BUILD UPON LOCAL RESOURCES -- LOCAL BUSINESSES -- STRENGTHENING WHAT PRESENTLY EXISTS. I THINK WE ALL REALIZE HOW UNREALISTIC IT IS TO ENCOURAGE MOST SMALL COMMUNITIES TO COMPETE IN THE LIMITED, SOPHISTICATED MARKET WHICH PINS ALL HOPES ON TRYING TO ATTRACT BRANCH PLANTS OF LARGE CORPORATIONS; THIS IS ANOTHER MANIFESTATION OF THE THEORY WHICH TRIES TO TAKE METHODS WHICH DO WORK FOR LARGER MUNICIPALITIES AND SQUEEZE THEM DOWN TO FIT THE SMALLER ONES. THAT APPROACH JUST DOESN'T WORK.

WHAT DOES WORK IS TARGETED SUPPORT THROUGH MECHANISMS THAT REACH INTO SMALL COMMUNITIES, AND THERE IS A GREAT DEAL THAT THE FEDERAL GOVERNMENT CAN DO TO PROVIDE THIS KIND OF SUPPORT WITHOUT SPENDING HUGE SUMS.

I KNOW CONGRESS LIKES TO THINK IN TERMS OF MASSIVE PROGRAMS AND HAS, HISTORICALLY IN FACT, BEEN RELUCTANT TO PROVIDE SMALLER SUMS ON THE ASSUMPTION THAT "NOBODY CAN DO ANYTHING WITH THAT SMALL AMOUNT OF MONEY." CONGRESS NEEDS TO REMEMBER THE UNIQUE CHARACTER OF SMALL GOVERNMENTS WHEN IT DEVELOPS NEW PROGRAMS -- IT NEEDS TO REMEMBER THAT ALL "LOCAL GOVERNMENT" IS NOT THE SAME

ALL TOO OFTEN, FEDERAL POLICIES ARE IMPLEMENTED WITH NO THOUGHT TO THE CAPACITY OF RURAL GOVERNMENTS. A COMMUNITY OF 490 IS ASSUMED IN MOST CASES TO HAVE THE SAME CAPACITY IN TERMS OF REVENUE RESOURCES AND STAFFING AS A CITY OF 49,000. SMALL COMMUNITIES ARE ASSUMED TO HAVE -- AT THE LEAST -- A STAFF, A PAYROLL, A PHYSICAL PLANT, COMPUTERS, ACCOUNTANTS, LAWYERS, ENGINEERS, FUNDS AT THEIR DISPOSAL, AND OPTIONS IN PROVIDING SERVICES BOTH IN TERMS OF WHAT SERVICES THEY PROVIDE AND HOW THEY DELIVER THEM. THE FACT REMAINS THAT MOST RURAL GOVERNMENTS HAVE EXTREMELY LIMITED RESOURCES -- AS YOU YOURSELF UNDERSTAND, MR. CHAIRMAN, COMING FROM YOUR RURAL DISTRICT IN TENNESSEE. WE HOPE THAT, AS YOUR LEGISLATION PROGRESSES, WE CAN JOIN YOU IN RAISING THE UNDERSTANDING AMONG YOUR COLLEAGUES AS TO THE TRUE COMPLEXION OF RURAL AMERICA AND THE TOOLS WHICH MUST BE MADE AVAILABLE IN ORDER TO ACHIEVE CONGRESSIONAL INTENT IN PROGRAMS DESIGNED FOR SMALL TOWNS.

SOME OF THOSE TOOLS YOU HAVE IDENTIFIED IN YOUR LEGISLATION. WE PARTICULARLY APPRECIATE YOUR EMPHASIS ON INNOVATIVE AND ALTERNATIVES APPROACHES -- THE RECOGNITION THAT THERE IS A LOT THAT CAN BE DONE OUT THERE THROUGH COOPERATIVE EFFORTS UTILIZING LOCAL EXPERTISE WITH A BOOST FROM RELATIVELY SMALL AMOUNTS OF FEDERAL DOLLARS. THE RURAL DEVELOPMENT LOAN FUND IS A PRIME EXAMPLE. THIS KIND OF REVOLVING LOAN FUND CAN BE INVALUABLE TO SMALL COMMUNITY DEVELOPMENT EFFORTS. ACCESS TO CAPITAL FOR SMALL FIRMS AND RURAL AREAS IS A GLARING DEFICIENCY IN MOST FEDERAL

APPROACHES. IN AN ERA OF CONSTRICTED FEDERAL FUNDING, REVOLVING LOAN FUNDS REPRESENT A VIABLE WAY TO INFUSE NEEDED CAPITAL WHILE LIMITING RECURRING FUNDING OUTLAYS. THEY ALSO LEND THEMSELVES TO APPROPRIATELY SCALED MANAGEMENT AT THE LOCAL LEVEL AND CAN BE LEVERAGED WITH OTHER AVAILABLE FUNDS.

ANOTHER EXAMPLE WE WHOLEHEARTEDLY ENDORSE IS YOUR $25 MILLION PILOT PROJECT FOR BUSINESS DEVELOPMENT WHICH WILL ANALYZE AND IDENTIFY OPPORTUNITIES TO DRAW UPON LOCAL ECONOMIC AND HUMAN RESOURCES, SEARCH OUT, TRAIN, AND EXTEND MANAGEMENT AND TECHNICAL ASSISTANCE TO LOCAL BUSINESS PEOPLE, AND HELP MOBILIZE CAPITAL FROM INSIDE AND OUTSIDE THE LOCAL COMMUNITY.

BY SPECIFICALLY TARGETING PROJECTS FOR COMMUNITIES WITH POPULATIONS OF 20,000 AND UNDER, YOU ARE ASSURING THAT ASSISTANCE GOES TO THE MOST NEGLECTED AND UNDERRATED GOVERNMENTS AND THEIR CITIZENS IN THE UNITED STATES -- AND NOT INCIDENTALLY THE PEOPLE WHO HISTORICALLY HAVE SET THE EXAMPLE FOR INDEPENDENCE AND SELF-RELIANCE. WE FEEL STRONGLY THAT THESE PEOPLE -- CITIZENS OF SMALL COMMUNITIES AND THEIR LOCAL LEADERS -- WANT TO BE INDEPENDENT AND SELF-RELIANT AGAIN. WHAT THEY NEED IS A FIGHTING CHANCE AND AN OPPORTUNITY TO LOOK AT THEIR ECONOMY FROM A NEW PERSPECTIVE.

IN YOUR OWN STATE OF TENNESSEE, MR. CHAIRMAN, AS I'M SURE THAT YOU ARE AWARE, THERE ARE CREATIVE, INDUSTRIOUS PEOPLE TURNING THEIR FUTURES AROUND. IN HANCOCK COUNTY, TENNESSEE, FOR INSTANCE, DOROTHY AND MARGARET BRUDECKI HAVE TURNED A HOBBY

MAKING CORNHUSK DOLLS INTO A PROSPEROUS BUSINESS WHICH HAS CREATED THIRTY JOBS WITH FOUR MORE PEOPLE TRAINED AND READY TO COME ON BOARD "AS SOON AS WE CAN GET SOME MORE TABLES AND CHAIRS IN HERE," AS DOROTHY BRUDECKI SAYS.

OVER IN GRUNDY COUNTY, FARMER JOE MARLOWE IS DEVELOPING A CALIFORNIA-STYLE WINERY. SOME CREATIVE THINKING AND SOME HELP FROM THE TENNESSEE VALLEY AUTHORITY AND AGRICULTURAL ANALYSIS FROM THE STATE UNIVERSITY HAS TRANSFORMED THE COMMUNITY BY TYING TOGETHER THE WINERY, THE VINEYARD, AND THE ATTRACTIVE MOUNTAIN TERRAIN, CREATING A CLIMATE FOR TOURISM AND A WHOLE NEW SOURCE OF JOBS. SIMILAR TRANSITIONS ARE HAPPENING IN NEARBY JAMESTOWN, WHERE CARL EDWARDS PROVIDES JOB TRAINING AND EMPLOYMENT FOR 35 PEOPLE THROUGH HIS COMPANY, MICRO METALS, WHICH MANUFACTURERS PRECISION PARTS. AS MR. EDWARDS POINTS OUT, THIS IS THE WAY COMMUNITIES GROW. "WE WANT TO HAVE TOOL AND DIE MAKERS HERE THAT HOPEFULLY, SOME DAY, WILL START THEIR OWN TOOL AND DIE SHOPS WHICH WILL IN TURN CREATE MORE JOBS FOR JAMESTOWN," HE SAYS.

EFFORTS SUCH AS THESE DESERVE FEDERAL SUPPORT, MR. CHAIRMAN, AND CERTAINLY YOUR INITIATIVE WILL PROVIDE A GREAT DEAL OF ENCOURAGEMENT AND INCENTIVE FOR SMALL COMMUNITIES. THERE ARE OTHER FEDERAL PROGRAMS THAT COULD PROVIDE TOOLS FOR RURAL AMERICA. BUT FOR THE MOST PART SMALL COMMUNITIES DO NOT HAVE ACCESS TO THEM BECAUSE, ONCE AGAIN, WE JUST DON'T HAVE THE RESOURCES FOR MATCHING GRANTS OR THE EXPERTISE TO COMPETE WITH LARGER PLACES OR STATE MONEY. IT IS UNCONSCIONABLE THAT A

PERVASIVE BIAS HAS CREPT INTO FEDERAL PROGRAMS WHICH EFFECTIVELY SHUTS OUT SMALL GOVERNMENTS, AND IN ORDER TO ADDRESS THIS INEQUITY, NATaT STRONGLY SUPPORTS THE INCLUSION OF THE FOLLOWING PROVISIONS IN ANY NEW FEDERAL RURAL DEVELOPMENT INITIATIVES:

-- FIRST, REQUIREMENTS FOR MEANINGFUL CONSULTATION WITH LOCAL OFFICIALS ON THE DESIGN AND IMPLEMENTATION OF SMALL TOWN PROGRAMS, ESPECIALLY THOSE BEING CHANNELED THROUGH STATE GOVERNMENTS. IT IS OUR EXPERIENCE, MR. CHAIRMAN, THAT LEFT TO THEIR OWN DEVICES, MOST STATES PASS THROUGH AN ABSOLUTE MINIMUM OF TECHNICAL ASSISTANCE OR FUNDING TO SMALL COMMUNITIES.
-- SECONDLY, A REQUIREMENT THAT STATES MAINTAIN THEIR OWN EFFORT RATHER THAN REDUCING THEIR PARTICIPATION IN PROGRAM AREAS WHEN FEDERAL FUNDS BECOME AVAILABLE;
-- THIRD, ELIMINATION OR ADJUSTMENT OF DE MINIMIS LEVELS IN FEDERAL PROGRAMS WHICH IMPLY THAT ONLY BIG DOLLAR PROJECTS ARE EFFECTIVE;
-- FOURTH, A REQUIREMENT THAT DATA BE COLLECTED ON SMALL GOVERNMENTS AND MADE AVAILABLE IN USABLE FORM (NOT COMPUTER TAPES), SO THAT CITIZENS OF RURAL AREAS HAVE AT LEAST A FAIR CHANCE TO MAKE THEIR CASE;

-- FIFTH, SET-ASIDES FOR SMALL GOVERNMENTS BELOW 20,000 POPULATION; AND FINALLY,

-- ENCOURAGEMENT OF INNOVATIVE AND ALTERNATIVE APPROACHES WHICH STILL MEET THE THRUST OF CONGRESSIONAL INTENT, BUT THAT MOVE AWAY FROM ONE, UNIFORM "WAY TO GO" FOR LARGE AND SMALL PLACES ALIKE.

WE CERTAINLY APPRECIATE YOUR SENSITIVITY TO THE DIVERSE NATURE OF RURAL AMERICA AND YOUR ACKNOWLEDGEMENT THAT ONE SOLUTION IS NOT GOING TO FIT EVERY COMMUNITY, MR. CHAIRMAN, AND WE ESPECIALLY WANT TO THANK YOU FOR YOUR SUPPORT OF OUR OWN EFFORTS IN THIS REGARD: OUR "HARVESTING HOMETOWN JOBS" PROGRAM WHICH WILL BE INTRODUCED IN A SPECIAL SHOWING TOMORROW IN THE CAPITOL BUILDING. "HARVESTING," AS YOU KNOW, CONSISTS OF A SIMPLE GUIDEBOOK THAT CAN BE USED BY ANYONE IN A SMALL TOWN WHO WANTS TO "GET THINGS GOING," ALONG WITH A VIDEO OR FILM PRESENTATION FEATURING INTERVIEWS WITH LOCAL PEOPLE FROM SMALL COMMUNITIES IN DIFFERENT REGIONS AROUND THE COUNTRY WHO HAVE TAKEN POSITIVE STEPS TO TURN THEIR FUTURES AROUND. THE PEOPLE I MENTIONED EARLIER FROM TENNESSEE, IN FACT, ARE FEATURED IN THE "HARVESTING" VIDEO.

IT IS THROUGH EFFORTS SUCH AS THIS -- SMALL IN SCALE BUT POWERFUL IN THE ABILITY TO INSPIRE AND EDUCATE -- THAT RURAL AMERICA CAN TAKE HOLD AGAIN. YOUR LEGISLATION CAN PROVIDE INCENTIVE AND INITIATIVE FOR A GREAT MANY MORE SUCCESS STORIES

LIKE HANCOCK COUNTY, TENNESSEE -- AND CROSSCREEK TOWNSHIP IN PENNSYLVANIA, AND FLOODWOOD, MINNESOTA, AND OTHER SMALL COMMUNITIES WHICH ARE IN THE VANGARD OF RURAL REVITALIZATION. WE ENCOURAGE YOU TO CONTINUE TO SUPPORT INNOVATION AND FLEXIBILITY AS BASIC TOOLS WHICH MUST BE PART OF ANY REALISTIC APPROACH TO GROWTH AND CHANGE IN AMERICA'S SMALL COMMUNITIES.

THANK YOU AGAIN FOR THE OPPORTUNITY TO TESTIFY THIS MORNING. WE LOOK FORWARD TO WORKING WITH YOU AND YOUR STAFF AS THIS AND OTHER RURAL LEGISLATION EVOLVES, AND WE WILL DO EVERYTHING WE CAN TO SUPPORT YOUR EFFORTS.

TESTIMONY

Prepared for a Hearing

of the

HOUSE AGRICULTURE COMMITTEE

Subcommittee on Conservation, Credit
and Rural Development

by

William D. Heffernan, Ph.D.
Professor of Rural Sociology
University of Missouri-Columbia

Judith Bortner Heffernan, M.A.
Research Associate,
Department of Rural Sociology

Washington, D.C.
May 19, 1987

Mr. Chairman and Members of the Committee: We appreciate very much this opportunity to share with you our thoughts on ways rural families and communities can be assisted at this time. We will briefly review our research and then discuss how the University of Missouri Extension Service is utilizing funds received from Section 1440 of the 1985 Food Security Act to assist rural families and communities.

INTRODUCTION

In the Midwest, some economic evidence suggests that agricultural conditions are beginning to stabilize. Other evidence suggests a continuing deterioration. Regardless of whether the "crisis" nature of the farm problem may be subsiding in some areas of the country, few would argue that economic prosperity will return to the farm economy in the near future.

Even if these economic conditions could be turned around in the very near future, which is a most unlikely prospect, the severe problems they have created for individuals, families and communities will continue and must be addressed. Thus, immediate efforts must be focused on helping those individuals, families, and communities to cope with their current problems and find some hope for a rewarding future, while the political and economic debate continues on how to "solve" the larger economic problems. It should be noted that many of the domestic and international factors which lead to problems in the agricultural economy are also creating economic problems in such other extraction industries as energy, mining and forestry, as well as in rural manufacturing.

Family and Community Consequences The consequences of the financial problems in agriculture extend well into the rural community. The human costs are felt not only by the farm families, but by many others in rural areas. A recent report by the U. S. Senate Subcommittee on Intergovernmental Relations (1986) traces some of the consequences for the rural community. The decline in income and asset values have major impact on rural communities and nonfarm families living in those communities. The report suggests that the "long-term increase or decrease of $64,000 in net farm income will add to, or cut back on local commercial employment by one job."

With the real value of the agricultural base shrinking, with increased tax delinquency rates and with the decline in nonfarm income, employment and property values, the impact on the public sector is also dramatic. At a time when the demand for many of the social services provided by the local community is on the increase, the base of revenue to support these services is on the decline. Not only do many local communities find it difficult to maintain the level of services they had in the 1970s, but many of

the states most impacted are also unable to raise the necessary revenue for such services.

The human costs of this ongoing crisis are not only borne by the families that have lost their land, livelihood and lifestyle. Other rural families who are continuing to farm and run businesses have also experienced broken dreams and increasing levels of stress as the value of their assets and family incomes have been eroded.

The Challenge The challenge for rural America is that of rebuilding the social and economic system. Research has shown that the social system is not meeting the needs of many families suffering special hardships as the result of the economic chaos in rural areas. Serious attention must be given to redeveloping the social system and in redeveloping, or in many cases, developing a new, sound economic base to replace some of that being lost by agriculture.

RESEARCH FOCUSED ON FORMER FARM FAMILIES

As a result of questions raised over two years ago by a member of this committee, we received funds through the Economic Research Service of USDA to conduct a study of families being forced from their farms for financial reasons. The study sought not only to document the process of losing one's farm, but also to identify the special needs of these families during their transition from farming and the assistance they received. We interviewed all the families who had lost their farms because of economic reasons in one of the more productive agricultural counties in Missouri. Forty-six families were identified as having lost their farms between January 1 of 1980 and January 1 of 1985. Two of the families had left the community without leaving a forwarding address. Two families experienced illness and retirement along with economic problems. One family was experiencing such severe illness that we chose not to interview them. One family refused to be interviewed saying that while they hoped our study would succeed, it would be too painful for them to share with us their experiences of losing their farm.

The responses from forty families suggested that only five (12%) could think of any assistance they received from government agencies, churches or any other organization in the community when they were in the process of being forced out of farming. One individual said, "People around here just stood by waiting to see if we would starve to death, and we almost did." This finding was especially alarming since at that time, the county provided a number of social services which could have assisted the families. The county had a program for food stamps,

commodity foods, physical and mental health assistance at little or no cost, access to job retraining programs and other services. In addition, there were pastors, church members and others in the community who were concerned about the social well-being of local citizens. The obvious question raised is why are the available services not utilized by families in need. Additional data from our study give some insight.

All of the women and all but one of the men said they experienced depression in the course of getting out of farming. Two-thirds of the men and women said they withdrew from family, friends and social activities. Thus, at the very time these families needed to reach out to others for help, whether to friends or government agencies, their reaction was to withdraw.

Withdrawal is one of the many consequences of depression which impacts individuals and families especially at times of long-term stress and/or when they are facing a crisis. This tendency to withdraw is probably enhanced because these were formerly proud, independent, middle class people. They were accustomed to taking care of their own needs. Many of them were ideologically opposed to many of the social service programs because they felt they helped those unwilling to work.

Thus, the psychological cost of asking for help is great. In addition to the psychological cost is the social cost. For many, asking for assistance is a public admission of failure. Often the service agencies are located in very public buildings making the social cost even greater.

One-third to one-half of the men and women also indicated they could not think rationally or logically. The ability to fully utilize one's mental capabilities is limited when one is experiencing depression. Thus, at a time when farm families are having to learn about bankruptcy, IRS rulings concerning liquidation and the possible social service programs available to assist their family, they are not thinking very clearly.

The respondents also indicated they experienced other symptoms of depression such as the inability to sleep, eating disorders, physical aggressiveness and mood changes. All of these consequences can have an impact on their ability both to reach out for social services and to utilize them.

Essentially all of our social service, educational and other assistance programs require that the people reach out and ask for assistance. Even when we are concerned about a friend, we are reluctant to invade their privacy and ask them if they need help. Usually we wait for the individual to ask us for assistance. These individuals do not have the psychological and emotional strength to ask for such assistance. Assistance programs must be

altered in ways that we can better reach out to those people in need.

Based on our study, we recommended that assistance and alterations were needed in the following six areas.

1. Rural economic development
2. Mental health outreach
3. Information services
4. Job certification, networking and training
5. Changes in requirements of entitlement programs
6. Special attention to needs of youth

UNIVERSITY OF MISSOURI EXTENSION RESPONSE

The University of Missouri Extension Service has had a long history of working with rural communities to enhance economic development. That long-term effort was reinforced two years ago with a new program thrust called "Alternatives for the 80s." Some of the successful projects include "The Best of Missouri Hands", "Missouri Product Finder", "Catalog of New Ideas", new crops and locally processed agricultural products.

With the funding we received under Section 1440 of the 1985 Food Security Act, we have been able to include four of the additional areas cited above to give us a more balanced program focusing on both the social and economic development of rural areas. Given the time required for such funds to be administered through the system and the time required for planning and developing new programs, the four new Extension thrusts have been underway only a short time. However, we are already receiving praise and support for the programs from school counselors, pastors, agricultural lenders and others, as well as from farm families like Andy Jackson who participated in a Career Options Workshop. We would like to briefly discuss each of the four thrusts and how they relate to other statewide programs.

Rural Community Service Project

One thrust of the new effort is the Rural Community Service Project. In the northern portion of the state, seven senior level counselors from the local Rural Mental Health Centers have been hired and located in local Extension offices. These professional counselors are capable of directly assisting families experiencing immediate psychological problems which often lead to destructive or abusive behavior. Their major purpose, however, is not to provide on-going family assistance, but rather to help route those families in need of assistance to the appropriate services. Most of the families have multiple problems that can be assisted by not one, but several agencies

78-346 0 - 88 - 5

and organizations. The Rural Community Service Coordinators can provide the families with information about numerous services available in the community, county, region and state.

Even more important is the role the coordinators play in the community. The coordinators serve as a catalyst to help local people inventory the resources available in their communities, coordinate these resources and help to disseminate the information to a host of caregivers and families in need who could utilize the information. They are also helping to establish local support groups and providing professional assistance to support group leaders when necessary.

The coordinators utilize the full resources of the University of Missouri and the local Community Mental Health Center in providing services to rural communities and families. This program has been integrated into other ongoing Extension programs such as those in farm management, child and family development and community economic development. In addition, the program has received strong support and cooperation from the Missouri Department of Social Services, the Department of Mental Health and the Department of Agriculture which coordinates MOFARMS, a financial management program.

Recently, the Department of Mental Health submitted a proposal to the National Institute of Mental Health which is accepting proposals for innovative programs in the delivery of rural mental health services. The Missouri proposal builds on the Rural Community Service Project.

Likewise, the Department of Economic Development has recently submitted a proposal to the United States Department of Labor requesting funds targeted to provide special job training assistance to farm and former farm families. The proposed training efforts are again tied to the 1440 Project. The proposed plan would utilize both the Rural Community Service Project and the Career Options for Missouri Farm Families to refer persons to the training program.

The Rural Community Service Project is also working closely with the Missouri Interfaith Coalition on the Rural Crisis. For example, the coordinators have become key members of the coalition's Bank Closing Response Teams. They are also being asked to help conduct pastoral training conferences held around the state focusing on assisting families in crisis. The 1440 project is a key link in the developing local and statewide network of organizations and agencies attempting to help farm and rural families and communities at this time.

Career Options For Missouri Farm Families

The Career Options for Missouri Farm Families project is an in-depth career options, educational and counseling service available to farm family members. The services provided include a career information hotline for help in educational assessment and referral options and three to five hour counseling sessions focusing on assessment of abilities, interest, work values and career options. The project also conducts workshops to help individuals develop skills in resume writing, job interviewing, decision making, goal setting, networking and other techniques to enter or reenter the off-farm job market.

As noted earlier, the Career Options Program is coordinated with the job training programs of the Missouri Department of Economic Development and the Division of Employment Security. At the more local level, Extension specialists working with these programs work closely with community colleges, universities and other organizations offering training and educational programs.

Rural Youth In Stress

A variety of programs are being designed to assist youth and youth leaders in dealing with the adverse effects of stress in their lives and the lives of their families. Special programs are being developed for teacher in-service training and for subsequent use by teachers in the classroom. Public forums will be held in several locations focusing on teen suicide, stress and depression, and individual and community means by which such problems can be reduced. Special training on ways to cope with stress and ways to help a troubled friend will be provided for 4-H camp counselors. In addition, special training on family communication, stress and stress management will be given to leaders of 4-H and other youth organizations.

Alternative Horticultural Produce Marketing

Several communities will be targeted in which to pilot a unique project in which horticultural producers will be linked with such institutional buyers as schools, hospitals, and nursing homes. The potential for processing locally produced items on a local basis will also be explored.

REFLECTIONS ON RURAL DEVELOPMENT

Given the severe economic problems facing agriculture and several other industries located in rural areas, it is clear that national, state and local resources must be combined if the impacted rural communities are to remain viable. Behind this concern is a more general issue which focuses on our national

land settlement policy. How do we want the population of this country distributed? Perhaps the rationale used for originally settling rural areas is no longer appropriate. Recent community preference studies which suggest that the majority of people prefer to live in smaller towns and rural areas provide a new rationale for a policy of population decentralization. Additional reasons for and against such a policy can be identified. Unfortunately, the present crisis in rural America does not allow us time to address this larger policy issue before providing assistance to rural communities. In addition, immediate assistance to lessen the human suffering of the current changes can be justified on humanitarian reasons alone.

Rural development is the only hope many rural communities have for survival. Without a significant and creative effort to revitalize the rural economy, much of rural America will continue to deteriorate into even deeper levels of poverty, despair and decline. The despair for many farm and rural families is already so great that attention must be focused on social and psychological development, as well as economic development, if rural communities are to be revitalized.

Economic development will require retraining and education on the part of many rural citizens. Unfortunately, individuals are unable to utilize fully many of the training and educational opportunities available when they are experiencing depression. Obviously, individuals who tend to withdraw, who can not think rationally or logically, who have problems sleeping and who are physically aggressive and experiencing great changes in moods do not make good students. We must meet some of the psychological and social needs of these individuals before they become students.

Depression is contagious. It can move between members within a family and outward to friends and even into communities. In many parts of our state, we see small communities which have "given up". There is a sense of helplessness, hopelessness and futurelessness within these communities. This is often the result of what we might call "collective depression".

One of the real challenges we face is that of helping members of these communities, and especially some of their leaders, renew their hope for the future. Economic development efforts have little chance of success in those communities where there is a sense of hopelessness. What investor wants to set up an operation in a community which sees no future? What lenders will loan money to small business persons to set up a business in a community that has a sense of helplessness?

There are a growing number of communities across the country in which a few people have stepped forward as leaders and begun community projects that often require little financial backing.

Events such as children's clothes exchanges, beautification of public areas, assistance to a family which has some unique problem, to mention only a few, begin to pull the social fabric of rural communities together, give them hope and set the stage for economic development to take place. (Hamilton, Missouri, provides an example of how a community can redirect its future.)

We, at the University of Missouri Extension, are trying hard to build on past efforts as we focus on both the social and economic development of rural areas. We are especially grateful to have been part of a national, state and local governmental effort which has responded to needs of rural America and helped to lessen the human costs associated with economic problems and social change.

FROM PROBLEM TO PROGRAM

Contrary to criticism we often hear, our complex governmental and educational system can respond to major problems in a timely manner. This recent effort provides an excellent example. Let us close by briefly outlining how the numerous segments of the system at the national, state and local levels coordinated their efforts to focus on the identified problem.

Late in 1984, a member of the House Agriculture Committee requested information from USDA about the assistance farm families needed and were receiving when they were forced out of farming. Little information was available. Utilizing the cooperative relationship between USDA (the Economic Research Service) and State Land Grant Colleges, the Department of Agriculture funded rural sociologists to conduct a research study to obtain the needed information. The study was completed and the results were reported back to UDSA and the Agriculture Committee member in April of 1985. The results of the study, along with a host of other information collected by Congress, were the basis for developing Section 1440.

As the legislation moved through the authorization and appropriation process during late 1985 and early 1986, the initial research was reviewed by social scientists in other Land Grant Colleges. For example, rural sociologists and agricultural economists at Cornell University replicated the original study in the fall of 1985 and provided further support for the original conclusions.

Section 1440 provided funding to the University of Missouri Extension Service to develop programs to address these needs. Directors of state agencies, regional Extension directors and directors of Community Mental Health Centers, working with administrators, teachers, researchers and Extension faculty at the University of Missouri put in place a program to address the needs identified.

In just over two years from the time the initial question was asked, we are back here reporting to you about a functioning program which is assisting rural families and communities. Many positive comments have already been received. A formal evaluation of the program has begun.

(Attachments follow:)

UNIVERSITY OF MISSOURI-COLUMBIA

Career Options for Missouri Farm Families
& Missouri Career Information Hotline

100 Noyes Building
Columbia, MO 65211

May 13, 1987

Narrative Report on Career Options Workshops

As of this date, we have completed six workshops, totaling 58 participants. Approximately 60 percent of the participants have been men, and 40 percent women. Their ages have ranged from 22 to 51 years old. Four of these workshops have been held in Columbia, one in Hannibal and one in LaBelle. Seven more workshops are scheduled before the end of August 1987, with a few more to be added later to that time period. Five of these seven will be in Columbia, one in St Joseph, and one in Bethany.

Early in the project planning, we made the decision to get farm family members out of their immediate environment to concentrate on the process of identifying their career options. While a few participants have been somewhat reluctant to travel to a workshop site, the vast majority have expressed their appreciation at the end of the workshop for this chance to focus on their decisions without the distractions of chores, children, etc. Therefore, while we will continue to present some workshops in other towns throughout Missouri, we will continue to more frequently use the facilities and resources of the Career Planning & Placement Center at the University of Missouri-Columbia.

To assist in staffing workshops outside of Columbia, we have contacted the other University of Missouri campuses' career counseling services in Kansas City, St Louis and Rolla, and anticipate some cooperatively staffed workshops.

To ensure a personal and impactful service, we have planned for less than 15 people in each workshop. Attendance has ranged from nine to twelve. Beginning in late May, we plan to facilitate workshops for 24 or 36 participants, with the main presentations to the larger group, then dividing into smaller groups of twelve or less for all discussions. Each participant will continue to receive one and one-half hours of individual career counseling, and a practice job interview on videotape. As you can see from the enclosed schedule, workshops average 22 hours, spread over two and one-half days.

Prior to each workshop, participants complete and mail back approximately two and one-half hours of assessment materials. These include a specialized seven-page Career Development Plan (sample enclosed), the inventory "My Vocational Situation" (pretest), and either (or both) of the career interest inventories, "Career Assessment Inventory" (suggests careers requiring high school or Voc-Tech training) and the "Strong Campbell Interest Inventory" (suggests career requiring high school through college). The inventories are computer scored and the results discussed with each participant during their career counseling session.

The workshop is designed to cover the complete Career Development/Career Change process, beginning with Understanding of Self, followed by Understanding of the World of Work, to Action Steps that can include further education and/or job hunting strategies, resume writing and job interviewing.

Most of this material has proven to be new information for the majority of workshop participants. Many chose their farming career as a family heritage, and have not seriously considered other career options before. Most have never applied for off-farm employment, completed a resume, nor had any in-depth job interviews. The format and content of the workshops seem to give the participants a renewed sense of self confidence, and some career exploration and job hunting skills they can immediately put to use. Evaluations and comments (summary enclosed) have been overwhelmingly positive.

Thom Rakes
Project Co-Director

CAREER OPTIONS FOR MISSOURI FARM FAMILIES
Cumulative Workshop Evaluations
February 25-May 8, 1987

(N=58. Individual workshop elements may not total the same, as program has evolved to include additional presentations, and not all participants responded to all questions.)

Orientation & Overview

1	2	3	4	5
Very Helpful				Not Helpful
(9)	(6)			

Career Planning & Career Change Processes

1	2	3	4	5
Very Helpful				Not Helpful
(21)	(21)	(8)	(1)	(1)

Your Work Values

1	2	3	4	5
Very Helpful				Not Helpful
(18)	(15)			

Your Career Interests

1	2	3	4	5
Very Helpful				Not Helpful
(18)	(14)	(2)		

Your Transferable Skills

1	2	3	4	5
Very Helpful				Not Helpful
(16)	(9)	(9)		

Finding Career Information & Information Interviewing

1	2	3	4	5
Very Helpful				Not Helpful
(18)	(17)	(6)	(3)	

Writing Your Resume & Cover Letters

1	2	3	4	5
Very Helpful				Not Helpful
(20)	(19)	(5)	(1)	

Individual Appointments for Feedback on Assessment Instruments

1	2	3	4	5
Very Helpful				Not Helpful
(38)	(11)	(3)		

CAREER OPTIONS FOR MISSOURI FARM FAMILIES
Cumulative Workshop Evaluations
February 25-May 8, 1987

Page Two

Utilizing the Career Information Library and Resume Critiques

1	2	3	4	5
Very Helpful				Not Helpful
(30)	(20)	(2)	(1)	

Interviewing for Jobs

1	2	3	4	5
Very Helpful				Not Helpful
(29)	(17)	(3)		

Practice Job Interviews

1	2	3	4	5
Very Helpful				Not Helpful
(34)	(13)	(1)	(1)	

Job Hunting Strategies

1	2	3	4	5
Very Helpful				Not Helpful
(21)	(22)	(3)	(1)	

Networking

1	2	3	4	5
Very Helpful				Not Helpful
(31)	(7)	(6)	(2)	

Completing Job Applications

1	2	3	4	5
Very Helpful				Not Helpful
(15)	(20)	(9)	(2)	

Decision Making & Goal Setting

1	2	3	4	5
Very Helpful				Not Helpful
(13)	(20)	(9)	(1)	

Summary/Next Steps

1	2	3	4	5
Very Helpful				Not Helpful
(19)	(15)	(3)	(2)	

COOPERATING AGENCIES

Career Options for Missouri Farm Families encourages the use of other resources already in implementation throughout the state. An emphasis is placed on information sharing between Career Options agencies and other programs, and identifying individual contacts within agencies to facilitate referrals. Individuals participating in the Career Options Workshops or calling the Missouri Career Information Hotline are informed of, and when appropriate, referred to the following programs:

- Missouri Division of Job Development and Training
- Missouri Job Service
- Service Delivery Area Agencies for Job Training Partnership Act Programs
- Adult Education Programs within Area Vocational Technical Schools funded by the Department of Secondary and Elementary Education
- Regional Vocational Service Centers which assist displaced homemakers, single parents, and individuals seeking non-traditional training.
- GAPH Vocational Training Program, sponsored by the Missouri Department of Secondary and Elementary Education
- MO-Farms, a joint project of the University of Missouri and the Missouri Department of Agriculture, which helps farm families assess their financial situation
- Columbia College Tuition Assistance Program for Dislocated Farmers
- Northwest Missouri State University Tuition Assistance Program for Dislocated Farmers
- Community College and University; placement offices, assessment resources
- Community Mental Health Centers
- Project Re-focus, a program designed to assist dislocated workers in the Kansas City area
- Metropolitan Re-employment Project, a program designed to dislocated workers in the St. Louis area
- Education Opportunity Centers, provides assessment and assistance in locating educational resources in the St. Louis area
- Extension Continuing Education and Correspondence Programs
- Extension Business and Industry Specialists

Establishment of a strong network of referral resources continues to be a primary focus of the Career Options Program. Communication between service providers, community members, extension, and Career Options is essential for program success. Information sharing is facilitated by the availability of the toll-free Hotline. Career Options also has elicited the assistance of representatives from the Department of Agriculture, area businesses and industries, vocational schools, and Missouri colleges, in order to provide individualized assistance to participants of the workshops.

MISSOURI CAREER INFORMATION HOTLINE

The Missouri Career Information Hotline, a component of Career Options for the Missouri Farm Families, is a statewide toll-free line designed to provide career information to rural Missourians. The service is available from 1-5 p.m., Monday through Friday.

The career information provided by the Hotline falls into five main categories:

Occupational and Career Information
Job descriptions, entry requirements, salary ranges, related occupations, referrals to other information sources

Education and Training Information
Information about, and referrals to, sources of education and training within the state.

Education Financial Aid Information

Job Seeking Information
Resume writing, Job Application Forms, Job Hunt Strategies, Networking, Interviewing Skills

Sources of Local Career Assistance

The Hotline also functions as a source of initial contact for individuals wishing to participate in the Career Options Workshops, and as a source of continued contact and follow-up for those individuals who have already participated in a workshop.

The Hotline received a total of 41 calls during the month of April (80 hours of service). Seventy-three percent of the callers were rural Missourians, and 9.7% of the callers were extension agents or representatives from community agencies wanting information for rural clients, indicating the Hotline is primarily serving the targeted rural population. Sixty percent of the calls originated from counties targeted for service by the 1440 project.

Attached is a breakdown of the demographic data for individuals who called the Hotline during April. If a profile were to be made of the average farm resident seeking career assistance based on the mode in each demographic category, the individual would most likely be male, in his forties, and residing in the Northwestern part of the state. He would be considering making a career change and requesting job seeking information.

MCIH DATA REPORT FOR APRIL

TOTAL CALLS: 41

SOURCE OF CALL:

A. FARM 21
B. RURAL COMMUNITY 9
C. URBAN 3
D. COMMUNITY SERVICE PROVIDER 2
E. GUIDANCE COUNSELOR/TEACHER -
F. EXTENSION 2
G. MEDIA -
H. OTHER employers-2 call backs-3

EXTENSION REGION:

REGION 1 7
REGION 2 3
REGION 3 3
REGION 4 1
REGION 5 3
REGION 6 -
REGION 7 11
REGION 8 4
REGION 9 9

THE FOLLOWING DATA IS BASED ON CALLS ORIGINATING FROM FARMS, RURAL COMMUNITIES, OR URBAN AREAS (A-C ABOVE)

AGE:

TEENS -
TWENTIES 6
THIRTIES 6
FORTIES 15
FIFTIES 5
SIXTIES+ -

SEX:

MALE 17
FEMALE 15

REFERRAL SOURCE:

MAGAZINE 2
BROCHURE/FLYER 4
NEWSPAPER 4
FRIEND/FAMILY 2
EXTENSION 3
COMMUNITY SERVICE PROVIDER 2
RADIO -
T.V. 1
PRIOR CALL 3
CAREER OPTIONS WORKSHOP 2
OTHER 3

WORK STATUS:

SEEKING OFF-FARM EMPLOYMENT 4
STUDENT 1
SEEKING DIFFERENT JOB/CAREER 13
LEAVING FARM -
ENTERING SCHOOL OR TRAINING PROGRAM 2
LEAVING SCHOOL OR TRAINING PROGRAM 2
EMPLOYED, NEEDING CAREER INFO -
HOMEMAKER ENTERING WORK FORCE 9
OTHER 2

*TYPE OF INFORMATION REQUESTED:

JOB SEARCH ASSISTANCE 8
CAREER COUNSELING/ASSESSMENT 2
EDUCATION/TRAINING INFORMATION 8
FINANCIAL AID 2
OCCUPATIONAL INFORMATION 3
COMPANY CONTACTS/PLACEMENT 3
WORKSHOP INFORMATION 8
SMALL BUSINESS INFORAMTION 1
OTHER 1

*CALLS MAY BE PLACED IN MORE THAN ONE CATEGORY.

CAREER OPTIONS FOR MISSOURI FARM FAMILIES

A UNIVERSITY EXTENSION 1440 PROJECT

Sponsored By
University Extension
and the
Career Planning and
Placement Center
University of Missouri-Columbia

COMMENTS FROM WORKSHOP PARTICIPANTS:

"...very beneficial to all in the process of changing careers, especially farm families..."

"...I became more aware of how to help myself with a career change."

"...I received what I had expected plus much, much more. A very valuable and rewarding program.

"...I received the feeling of self-worth and that I'm not alone in these stressful times."

YOUR CAREER OPTIONS

With our changing agricultural economy, many people are considering new careers. This project is designed to help Missouri farm family members evaluate their interests and skills and develop their career plans.

INDIVIDUAL CONCERNS:

How can I evaluate my personal resources to determine future opportunities?

There are few people that have the range of skills held by people with farm backgrounds. This wealth of skills and talents also can be used for careers off the farm.

This project can help you identify your:

- Transferable Skills
- Career Interests
- Work Values
- Decision-Making Styles
- Career Change Process

How can I find out more about different career fields?

Often the specific information you need is difficult to find. Or you may be unsure of what to ask for.

This project can help you find:

- Occupational and Career Information
- Education and Training Information
- Educational Financial Aid Information
- People for Information Interviews

How can I find off-the-farm employment?

Many people have never worked off the farm, or outside the home. You may have an excellent work history, but have never filled out a job application.

This project can help you with:

- Job Hunt Strategies
- Writing Your Resume
- Completing Job Applications
- Writing Cover Letters
- Interviewing for Jobs

Individuals can obtain assistance by:

1) Participating in an extensive three day workshop.
2) A one-day conference.
3) Individual three-to-five hours counseling sessions with a career planning professional.
4) A toll free (1-800-392-2949) Career Information Hotline. Available to provide callers with career information and referral options.

There is no charge to Missouri farm families who participate in this program since this project was funded through section 1440 of the Farm Security Act of 1985.

FOR ADDITIONAL INFORMATION

Contact one of the following University Extension Specialists directly, or through your local University Extension Center:

Jean Ward - Kirksville, MO
(816) 665-9866

Ray Davis - Troy, MO
(314) 528-4613

Wayne Flanary - Oregon, MO
(816) 446-3724

Nancy Flood - Unionville, MO
(816) 947-2705

Charles Gamble - Farmington, MO
(314) 756-4539

Jim Kennel - Kahoka, MO
(816) 727-3339

Or call the Missouri Career Information Hotline
1-800-392-2949

UNIVERSITY EXTENSION
An Equal Opportunity Institution

TESTIMONY OF ROBERT A. YOUMANS
BEFORE THE HOUSE AGRICULTURE COMMITTEE
ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

Mr. Chairman and members of the Subcommittee:

I am Bob Youmans, a farmer from Furman, South Carolina. I appreciate the opportunity to share with you a view of life in my hometown.

In 1980 the Furman Community had twenty-[illegible]n (27) full-time farmers and a thriving tractor and implement [illegible]ership. This growing season we will have no more than four (4) full-time farmers (probably 2) and the tractor dealership has been out of business for three years.

This picture of a dying rural town is common all across America. In most rural areas, farming is the hub that feeds other businesses. With the loss of as many as 1000 farmers in the U.S. every week, there are serious problems not only with farm families but with farm workers, suppliers and most other rural business folks.

I applaud the work of you... the members of the United States Congress... in seeking to improve the quality of life of rural Americans by encouraging rural development.

We desperately need to bring opportunities for new jobs and job training, technical assistance and capital improvements to our rural areas.

But many families I know have immediate needs that must be met before they can fully utilize these development opportunities. Every day I see people who are so burdened by the load of stress brought on by financial uncertainty, loss of a business or job that they literally do not know what to do.

I recently was visiting a neighbor farmer who was distraught over not qualifying for an operating loan. In the middle of our conversation, where he was wringing his hand claiming that his farming days were over, he picked up the phone and ordered $1500 worth of new blades for his disc harrow.

Why this kind of behavior? Lets talk about rural individuals for a moment. Most have been trained to plant produce - more recently, by extension service, how to market and develop a financial plan.

Never in the far reaches of their mind or training have there been thoughts of failure, relocations or change of vocation. Few if any know the possibility of help from traditional social service or mental health service. Most, if they are aware of help, hesitate because of the very nature of the beast.

This beast called the rural American is so self reliant that he has never allowed himself to depend on anyone. But things have changed.

Our small community has seen increases in alcohol and drug abuse, spouse and child abuse, divorce and attempted suicide. One of the most evident symptoms of the rural stress is the withdrawal from the community and church activities.

Our rural families need help dealing with the stress but most of them are too independent to seek help.

Because of my frustration over how to get help for my neighbors, I joined with other concerned folks to form the Rural Family Issue Coalition. This National coalition has four very specific goals:

1. To provide 24 hour phone Crisis Intervention.

2. To provide aggressive outreach by trained human services professionals who will provide immediate, on-site, one-to-one assistance for rural families in distress any time or place, and to continue assistance until problems are resolved.

3. To develop local peer support groups.

4. After immediate crisis resolution, to connect referrals to the appropriate traditional helping services, e.g., public health, mental health, extension, ministerial, and human services.

The Rural Family Issues coalition is patterned after a highly successful program developed in Illinois called Stress County Style.

Let me explain why I think this kind of program could help in my community or in the thousands of similar communities around the country.

Rural folks find it difficult to seek help locally but will frequently share their troubles with a compassionate stranger.

This is evidenced by the scores of cold calls made by the Stress Country Style program without one rejection. These first time calls have resulted in a high rate of success in preventing suicide, homicide, and other problems that destroy a normal family life.

As I look around my community, I see many needs; but none more urgent than a workable mental health outreach system.

I have left you information that details the need for rural mental health outreach programs and how our program works.

I would like to close by expressing by thanks to you for the work you are doing to strengthen our rural communities.

I would also like to thank Chairman De la Garza and his staff for introducing HR 2398 a Bill that would provide outreach programs and crisis management assistance for farmers and rural families.

My hope is that this kind of assistance could be utilized and expanded in conjunction with the good work you are doing in rural development.

(Attachment follows:)

DRAFT COPY

CONCEPTUALIZATION PAPER

FOR

RURAL CRISIS INTERVENTION PROGRAM

PREPARED BY THE RURAL FAMILY ISSUES COALITION

REASEARCH COMMITTEE: DR. PETER BEESON
DR. HARRY CECIL
DR. BILL HEFFERNAN

FEBRUARY 22, 1987

Contact person; Jodie E. Clark
316-684-5983
260 N. Terrace
Wichita, Kansas 67208

INTRODUCTION

The "farm crisis", with its attending economic problems and suggested solutions, has become the focus of major public and governmental debates. However, the debate has tended to narrowly focus on farm policy. While the media and the film industry have given the public hints at the human side of the farm crisis, it has all but been ignored in public policy debate. Perhaps one of the reasons for this is that over the past two years there have been over 36 bills introduced at the federal level with "family farm" in the title. This gives the illusion that the farm family is being considered. These bills, however are overwhelmingly economic in nature and do not directly address the human problems faced by rural families. The concept developed by the Rural Family Issues Coalition (See appendix A) addresses some of these farm family issues.

BACKGROUND

Beginning about 1972 and continuing through the remainder of the 1970s, the demand for U.S. agricultural products rose sharply. By the end of the decade, as much as 40% of some agricultural commodities were exported. This surge in international demand for agricultural products led to high commodity prices, escalating farmland values and increasing farm debt, as farmers borrowed more capital to increase their output. Farmers were encouraged by politicians and others to do this. The contribution of exported agricultural products in offsetting the trade deficit created by the increase in world petroleum prices, in addition to the humanitarian concern of feeding the people of the world, also helped encourage expansion in agricultural production.

Today the agricultural sector of the economy which was filled with optimism during the 1970s is facing one of the worst, if not the worst, financial crises in its history. In late 1979, a series of fiscal and monetary policy changes began to be made which had an enormous impact on the economic environment in which farmers operate (Boehlje, 1986). Interest rates on operating loans nearly doubled in a matter of months. Commodity prices dropped as surpluses accumulated.
Land values began rapid deflation. As a consequence, many farmers, especially those who began farming or expanded their operations in the 1960s and 1970s, found themselves in severe economic difficulty.

It should be noted that not all farmers are facing financial problems. Government programs have greatly assisted some farm families. Other families are producing commodities such as pork which have continued to be relatively profitable. The major factor determining the financial well-being of farming operations, however, is the amount of farm debt. Although the mixture of commodities produced and managerial skills of the producer are important, the debt to asset ratio has become the major predictor of farm survival. Total farm debt in the United States has increased from $166 billion in 1980 to $215 billion in 1984, an increase of nearly 30% (Reimund et.al.,1986).

A recent report on the financial characteristics of U.S. farms suggests that 21.3 % of the farms surveyed had a debt/asset ratio greater than 0.40 (Economic Research Service, 1986). This was a 2% increase from a year earlier. Economists refer to farms with a debt to asset ratio of .40 or greater as "highly

leveraged". Such farms are financially vulnerable. A recent study in Illinois suggests that even with superior management and utilization of all possible government programs it is very unlikely that the deteriorating financial condition on a 600 acre farm with a debt to asset ratio of greater than 0.40 can be turned around.

Almost half (45%) of the farms operated by farmers 34 years or younger had debt to asset ratios of .41 or greater. A third of the farms operated by persons between the age of 35 and 44 had a debt to asset ratio of .41 or greater. The reason for this, of course, is that younger farm families are most likely to have begun farming in the late 60s or 70s. Even with a generous inheritance, most commercial farm families must borrow capital to begin a farming operation. Thus, younger families were more likely to come into the 1980s with a relatively high debt load. This is significant because the beginning stage of a farming operation is also the stage in the family life cycle in which families still have children at home. Thus, the social and psychological consequences of the farm crisis directly impact youth (Heffernan and Heffernan, 1985).

The consequences of the financial problems in agriculture extend into the rural community. A recent report by the U.S. Senate Subcommittee on Inter Governmental Relations (1986) traces some of the consequences for the rural community. The study notes that net farm income declined to about 25 billion dollars in 1984, down 40% from the average of the 1970s.

Given the decline in farm income and the higher interest rates, the value of farmland has also declined since 1981. USDA data show that across the nation agricultural land values have fallen from $823 per acre in 1982 to $596 per acre in 1986. In many Midwestern states the decline has been even greater. For example, in Iowa the 1986 land prices have shown a 68% decline from their earlier level.

This decline in income and asset value has major impact on rural communities. The report suggests that "a long term increase or decrease of $64,000 in net farm income will add to, or cut back on local commercial employment by one job." Downtown business property values are also decreasing. The study suggests a decrease by $15 in the downtown property value for each permanent $1,000 decrease in agricultural income.

With the real value of the agricultural tax base shrinking by 20% or more since 1984, with increased tax delinquency rates of up to 100% or more in some areas and with the decline in nonfarm income, employment and property values, the impact on the public sector is dramatic. At a time when the demand for many of the social services provided by the local communities is on the increase, the base of revenues to support these institutions is on the decline. Not only can many local communities no longer afford to maintain the level of services they had in the 1970s, but many of the states most affected are also less able to raise the necessary revenue at the state level.

Most of these economic facts and figures concerning the economics of the farm crisis have been disclosed in the public and governmental debate on the farm crisis in the process of considering adjustments in the Food Security Act of 1985 or considering alternatives to the 1985 Act. Regardless of the farm policy that is followed, there are some very immediate human and family issues that must be addressed which have received much less attention. Many of these concerns are with us today and will continue for many families regardless of the national farm policy.

(The complete report is held in the committee files.)

U.S. HOUSE OF REPRESENTATIVES

AGRICULTURE SUBCOMMITTE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

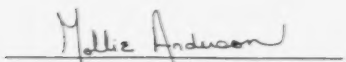
MAY 19, 1987

Testimony submitted by

The Nebraska Department of Labor
Job Training of Greater Nebraska

KAY A. ORR, GOVERNOR

Testimony Presented By:



MOLLIE ANDERSON
DIRECTOR
JOB TRAINING OF GREATER NEBRASKA

Testimony in support of continued funding for Nebraska's Agriculture-in-Transition program for fiscal year 1988

CONTACT PERSONS:

VIRGINIA YUEILL, COMMISSIONER
NEBRASKA DEPARTMENT OF LABOR

ROBERT REDFIELD, CHAIRMAN
GREATER NEBRASKA PRIVATE INDUSTRY COUNCIL

MOLLIE ANDERSON, DIRECTOR
JOB TRAINING OF GREATER NEBRASKA

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify today. I am Mollie Anderson, Director of Job Training of Greater Nebraska.

The Nebraska Department of Labor, Greater Nebraska Private Industry Council and Job Training of Greater Nebraska were pleased to receive an appropriation last year of $500,000 for continuation of our nationally recognized Agriculture-In-Transition Program. The appropriation, earmarked in the 1985 Food Security Act, allows us to continue operations through September 30, 1987.

I am here today to ask for your continued support of services proven to aid our distressed farming communities in Nebraska.

Our program serves an 88 county area whose number one industry is agriculture. Twenty one percent (21%) of the state's total employment is in ag related sectors, with 40% of manufacturing being ag based. The state has 300 towns with populations of 500 or less. According to the University of Nebraska, half of these towns are in jeopardy of disappearing. Nebraska also has one of the highest debt to asset ratios in the nation.

To begin, let me say that rural America is changing drastically. Unfortunately, many of the recent changes have had a negative impact, forcing an immediate reassessment of how the rural economy will exist in the next few years and in the distant future.

Because the multitude of problems facing rural America are so complex, any programs offered as solutions must have a broad spectrum of alternatives to offer.

To quote Congressman Coleman: "Today's agricultural crisis is far more than a farm problem. It is a rural community crisis that requires comprehensive solutions beyond the scope of traditional agricultural programs which often stop at the farm gate."

I am here today to support the Rural Development Initiative introduced to rebuild rural America and restructure the U.S. Department of Agriculture to ensure more efficient management of rural programs. We compliment this group on its' comprehensive design.

The blueprint to rebuild Rural America demonstrates the solutions must be as broad based and as comprehensive as the problems. Anything less will result in failure, not only for the programs implemented, but also for the individuals they are designed to help.

Let me quickly comment on a few of the objectives.

We support the creation of a Rural Development Administration within the U.S. Department of Agriculture, and renaming USDA the Department of Agriculture and Rural Development. In our opinion, this places the appropriate emphasis on the fact that the rural economy has changed. No longer is it restricted to ag production, ag related business, or business service sector labels. It places revitalization and rural development on a par with production ag issues.

We support block grant programs to provide seed capital for rural economic development, thus encouraging private sector investment, and to provide funding for rural infrastructure needs. Without such assistance, rural communities cannot compete with their metropolitan neighbors. Rural outmigration, business closures, and an increasingly older rural population mean fewer and fewer available resources to support revitalization efforts.

We support the creation of Agriculture Action Centers, providing one-stop-shops for counseling, informational, and job training services for rural Americans. This concept has proven to be most effective, as I will address in a moment.

Lastly, we support the establishment of a Special Assistant to the President, acting as an advisor to improve rural development programs.

As I stated in my introduction, we deliver a program called Agriculture-In-Transition. I would like to use the remainder of my testimony to comment on our program design, performance outcomes and funding issues.

The $465,000 directly received for program service from Section 1440 of the 1985 Food Security Act allows us to serve 360 people with an expected 224 individuals to be placed in unsubsidized employment.

The centerpiece of this program are the six one-stop-shops called Ag Action Centers located in Community Colleges across the state.

The Colleges were chosen because they provide a comfortable, non-threatening environment free from the negative "social services" stigma. This was essential if we were to be able to reach the Ag workers who traditionally have a strong sense of self reliance.

We have developed a three pronged strategy to provide a comprehensive solution to this multifaceted problem.

The first prong in our strategy addresses the distressed farmer/ag related worker. We feel our first responsibility is to keep as many farmers in farming as possible. The centers allow the person to come to their own conclusions about their future in farming.

The centers provide financial evaluations, farm and ranch management courses, legal and financial counseling to explore alternative means of financing, referrals to Social Services agencies and to Job Service for off farm employment to supplement farm income.

The second prong in the strategy addresses the dislocated farmer.

If the decision is made to leave farming, the program provides career assessment, counseling, classroom and "on the job" training and supportive services.

The program was initially funded by a $1,000,000 Discretionary grant from the U.S. Department of Labor. Since the program began in 1985, over 2,500 individuals have contacted Ag Action Centers and our Job Training offices. One thousand three hundred fifty three (1,353) individuals enrolled in financial management programs, educational workshops and referral services.

4

Of the 2,500, only 971 people finally decided to leave farming and retrain for new opportunities, which means our objective of keeping farmers in farming is being met.

Of the 633 individuals who have completed training, 501 are now in new jobs, paying on the average $5.45 per hour. With a placement rate of 79%, our programs have proven their value through return on investment to the federal and state governments. (See Attachment)

Each individual placed in a job after retraining generates approximately $900 in state taxes, $1,500 in Federal Taxes, and returns to the community through retail sales $8,800. If we consider 500 individuals employed at $11,000 annually, the return in taxes is over $1,000,000 and the retail economy is strengthened by over $4,000,000. That's not a bad return on a $1,000,000 investment.

The third prong in our strategy, and one that is critical to the ultimate success of the program, is community services.

To address the needs of the rural communities, we must be able to implement programs to help provide job opportunities to the dislocated ag workers. These types of programs include marketing assistance for small businesses and towns, entrepreneurial training, business incubation centers, and technical assistance for cottage industries.

There will be no need to retrain people if jobs are not available. Currently we are unable to provide funds for many badly needed employment generating activities.

The $500,000 appropriation to our program in 1986 was allocated through the 1985 farm bill. Although finally overcome, several problems resulted last year because of restrictions in the Act.

Current legislation mandates that funds allocated be expended through the land grant colleges. Dollars could not be allocated directly to the Department of Labor or to the Service Delivery Area. Even though the funds had officially been allocated, we were forced to ask the Nebraska Cooperative Extension Service to manage, evaluate the program and provide a proposal to the U.S. Department of Agriculture.

As you can imagine, the delays were tremendous. The additional red tape caused a slow down in Agriculture-In-Transition activities and a lull in delivery of services. In addition, the money was required to be distributed through USDA which reduced the original appropriation by $20,000. We received $465,000 for direct program services with no funds allotted for administration. The loss of $35,000 meant approximately 30 individuals would not be served.

I respectfully request that if possible, provisions be made to allow for a direct grant procedure or contract to alleviate the constraints caused by the current legislation.

Agriculture-In-Transition has provided a resource for our rural communities in Nebraska, and we hope that if new legislation is passed, that our program can continue and also be a model for other states to use.

Thank you again for this opportunity to testify, and for your efforts to develop rural revitalization legislation. It is apparent this group recognizes small farms and communities are an integral and vital component of America, and that their preservation is crucial to our ultimately productive survival.

(Attachments follow:)

REALITY OF THE FARM CRISIS

WHAT IT MEANS TO NEBRASKA

1) AGRICULTURE IS NEBRASKA'S # 1 INDUSTRY

21% of all jobs are on farms, ranches, and food related industries.

40% of all manufacturing jobs are in agricultural related industries.

Farm income impacts personal income four times more than the United States average rate.

64 of the 93 counties are highly dependent on farm income. This figure represents one of the highest percentages in the United States.

2) EXTENT OF CRISIS TO FARMS

The number of farms in Nebraska has declined 3.4%

1984 - 59,000 1985 - 57,000

Farm bankruptcies are projected to increase by 10 to 15% 1985 - 282

1985 (thru Sept) 215 1986 (thru Sept) 268
(24.7% increase)

Total ag debt has decreased in recent years, but asset values have decreased nearly 4 times as fast, causing a severe increase in debt-to-asset ratio.

The average debt to asset ratio of farmers is 39.6%.

23% had a ratio between 40 to 69%.

A ratio over 40% indicates financial stress.

34.9% FmHA loan delinquency rate through June, 1986

Calls to the Farm Crisis Hotline have increased approximately 10%. Since 1984, there were 1900 first time callers

1985 (through Sept) 653 1986 (through Sept) 718

In a Farm & Finance Survey only 51% felt there was adequate emotional counseling available

3) EXTENT OF CRISIS BEYOND THE FARM

Bank closures continue to be a problem

1985 - 13 1986 (through 9-10) - 7

Total bankruptcies continue to increase

1985 - 3,016 1986 - 3,546

Taxable retail sales have declined each year since 1981

In 11 of the 93 counties over 20% of the population is impoverished

10 of the worst 150 hunger counties in the nation are located in Nebraska all in rural areas

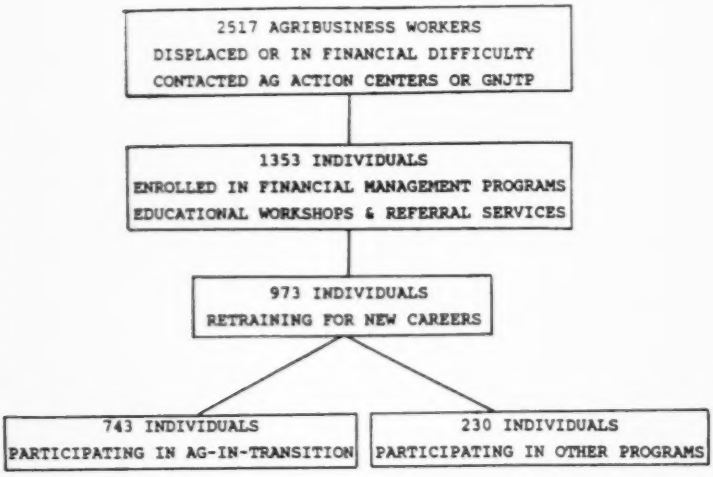
AFDC caseload increased 16.2% between 2/83 & 4/86 (Northcentral had a 62.1% increase) compared to
Lincoln 4.7% Omaha 9.6%

Between 1980 & 1985 business openings increased 17.81%
Business closings increased 123.10%
Rural areas 9.69% new increase - 158.39% closing increase

AGRICULTURE-IN-TRANSITION

DECEMBER, 1985 THROUGH FEBRUARY, 1987

PARTICIPANT FLOW



- - - RETURN ON INVESTMENT - - -

OF THE 743 INDIVIDUALS ENROLLED IN AGRICULTURE-IN-TRANSITION

110	ARE CURRENTLY ENROLLED
633	HAVE COMPLETED PROGRAM
501	ARE NOW IN NEW CAREERS
79%	PLACEMENT RATE
$1,996	COST PER PLACEMENT
$5.45	AVERAGE HOURLY WAGE
$11,336	AVERAGE ANNUAL WAGE
$1,400	APPROXIMATE FEDERAL TAX PAID
$800	APPROXIMATE STATE TAX PAID
$9,136	RETURNED TO ECONOMY FOR GOODS AND SERVICES

(Additional attachments are held in the committee files.)

AGRICULTURE-IN-TRANSITION

THREE PRONGED STRATEGY

DISTRESSED FARMERS

FINANCIAL EVALUATION AND COUNSELING
FARM AND RANCH MANAGEMENT COURSES
ALTERNATIVE FINANCING INFORMATION
ALTERNATIVE FARMING INFORMATION
LEGAL AND FINANCIAL COUNSELING
STRESS MANAGEMENT INFORMATION
MACHINERY CO-OP INFORMATION
SOCIAL SERVICES REFERRALS
JOB SERVICE REFERRALS FOR SUPPLEMENTAL EMPLOYMENT

DISLOCATED FARMERS

WORK EXPERIENCE
CAREER ASSESSMENT
STRESS COUNSELING
JOB SEEKING SKILLS
CLASSROOM TRAINING
ON-THE-JOB TRAINING
SUPPORTIVE SERVICES
SOCIAL SERVICES REFERRALS

COMMUNITIES IN NEED

MARKETING ASSISTANCE
ENTREPRENEURIAL TRAINING
SMALL BUSINESS WORKSHOPS
FINANCIAL PACKAGING ADVICE
BUSINESS INCUBATION CENTERS
ECONOMIC DEVELOPMENT TRAINING
EMPLOYMENT GENERATING ACTIVITIES
TECHNICAL ASSISTANCE FOR COTTAGE INDUSTRIES

78-346 0 - 88 - 6

Testimony Prepared for United
States House of Representatives
Agriculture Committee

My name is Andy Jackson from LaPlata, Missouri, married and have three sons. My husband and I have a farming operation that has been adversely affected by the current economic conditions. I am a participant in the Career Options for Missouri Farm Families which is a University Extension 1440 Project. I am presently employed but am looking at career options both in and outside our present location.

I was a participant in a workshop with ten other individuals (both men and women) whose lives are in transition due to the economic conditions. Four of these people had college degrees in an area of agriculture, one had a graduate degree in agriculture education and three had two or more years of higher learning. Other participants in this project have less formal education which indicates that this project is serving a cross-section of individuals. We are all involved in agriculture production and/or agri-business, are respected community leaders and our lives are in transition.

One participant, a widower and father of three sons, does not want to leave his local area as his sons are established in Junior High and High School organizations and sports activities. He has a B.S. Degree in Dairy Science, had sold his dairy herd a week prior to our workshop and is looking at possibilities for certification to teach.

Another participant had recently quit farming, is divorced and has no geographic limitations. He desires to relocate, if necessary, and is simply exploring options, trying to find employment possibilities, and reconstruct a positive self esteem.

Other situations of workshop participants are sighted in the Kansas City Times article which is enclosed with this testimony.

We, as a group, shared similar problems, concerns and goals, and developed a caring relationship during the three-day workshop. To those suffering from depression and who are struggling with transitional legalities, this workshop experience provided the opportunity for fresh introspection and objectivity in the analysis of our own abilities; the opportunity to feel assurance that we still have skills and capabilities--to re-establish confidence in self; the opportunity to step away from the problems for a brief time to look clearly at possible solutions. We had the opportunity for self analysis through the Strong-Campbell Interest Inventory and individual career counseling sessions and the opportunity to initiate change for ourselves in a positive way.

University Extension is an established in place "vehicle" to meet the needs of the agricultural families in transition. The networking that is available through their Career Planning and Placement Center is a strong advantage, particularly for individuals that may eventually leave their home area.

A closing thought that actually comes from John Naisbitt's MEGATRENDS: We are living in the time of parenthesis, the time between eras. It is as though we have bracketed off the present from both the past and the future, for we are clinging to the known past because we are so fearful of the future. This time in the parenthesis is a time of change and questioning. Although this time between eras is uncertain, if we can learn to make uncertainty our friend, we can actually achieve more than we can in stable times. If we can only get a clear vision of the road ahead.

And when we have that clear vision, we have a renewed resilence and abilities to adapt to our ever changing society.

Thank you for the opportunity to share my thoughts with you.

(Attachments follow:)

The Kansas City Times

Yes, there can be life after farming

Workshops at MU help in starting new careers

By Lynn Byczynski
Of the Metropolitan Staff

COLUMBIA — Nine farmers — five men and four women — are gathered in a conference room at the University of Missouri, trading stories about why they're looking for new jobs.

There's a husband and wife who lost their farm in 1985 and their Western Auto store a year later. A middle-aged woman whose family farm is hanging by a thread that one bad crop could sever. A man who sank his savings into a truck farm in 1981, only to have the deer eat his apple trees and the locals turn up their noses at his unusual vegetables. A few others who don't want to talk.

Most of these people have never written a resume, filled out an application or gone through an job interview. Most have never wanted, or needed, to look for a job.

But now they're among an army of farmers who are leaving farming at the rate of 2,100 a week in the

See DISPLACED, A-10, Col. 1

Steve Grossman/Staff

After losing money at farming, Kenny Owens (left) of Mound City, Mo., is looking at new careers. To save money on planting, he shares equipment with Lloyd Whitman.

191

160

A-10 The Kansas City Times Wednesday, May 13, 1987

Displaced farmers get help to prepare for new careers

Continued from Page A-1

United States, according to the American Bankers Association. In Missouri, the association's 1986 statistics show, 102 farmers quit each week; in Kansas, 68 a week.

They enter a job market with diverse skills but burdened by inexperience, self-doubts and lives in turmoil.

"I don't think there's a single occupation that involves as many skills as farming does, and it really covers the waterfront," said Thom Rakes, co-director of the Career Options Project that has brought the farmers to MU.

Those who have come say they are learning job-hunting savvy and gaining confidence in their own abilities at a two-day workshop that is free to Missouri farmers. The farmers take aptitude and interest tests to steer them in general career directions. They learn to write resumes that are then polished by counselors and printed. They act out job interviews in front of a video camera with real corporate personnel officers, who later critique the farmers' performances.

The program was financed by Congress as an amendment to the 1985 farm bill, officially called the Food Security Act. Missouri, Iowa and Nebraska each received $500,000 — known as Section 1440 funds — for assistance programs for displaced farmers.

The career workshops at MU consume $203,000 of Missouri's appropriation. Other programs permit mental health workers to visit distressed farmers at home and provide help for young people suffering stress because of the agriculture crisis.

'I see so many hanging on'

Since the career workshops began in March, about 60 Missouri farmers have participated. Seven more are planned through the summer, including one each in St. Joseph and Bethany. There's still plenty of room in each.

In fact, enrollment has been less than expected. Missouri Cooperative Extension Service specialists, who are responsible for recruiting participants, say they are finding farmers in the "denial phase," in which they won't face the likelihood of financial collapse, and even get insulted at the invitation to attend the workshop.

"They are saying: 'This is home. I was born and raised here. I don't want to admit I'm going to have to leave here and do something different,'" said Charles Gamble, an extension service specialist in Farmington, Mo.

Those who have come to Columbia for the workshop have a different attitude. They may not like it, but they have accepted the fact that they will soon be working indoors or punching a time clock or answering to a supervisor or trading their friendly small towns for an anonymous city. If they're lucky.

"The thing that is amazing to me," Rakes said, "is the resilience of these people. Almost to a person, they have been through some amazing things."

Don and Delores Carnahan of Piedmont, in southeastern Missouri, had fulfilled a dream by 1981. They were farming on land they had bought in 1964, and they had just bought a Western Auto store in town.

In December 1982, the Black River stole their dream. A flood left 18 inches of water in their store and 10 feet of water on their cropland.

They had no flood insurance, and the new business couldn't get a federal loan to rebuild. The Carnahans hung on but never recovered from the financial setbacks.

In November 1985 they lost their farm. In December 1986 they lost the store.

"I don't have much good to say about farming," Don Carnahan said. "I don't see any future in it. When 40 (percent) to 50 percent of the farmers finally die off or go out of business, the others may survive."

Both the Carnahans have been teaching elementary school since, but they're looking for new jobs. And although they've lived all their lives in Missouri, they're looking to the Sun Belt.

"Anytime your dreams go down the tubes, you might as well start over," Don Carnahan said. "I see so many hanging on. Somebody needs to tell them there's a better way."

Maybe farming as a hobby

At age 45, after a lifetime of farming, and prospering at it, Kenny Owens has enrolled at Missouri Western State College in St. Joseph to work on a master's degree in psychology. He's moving out of farming, scaling down from 2,700 acres last year to 1,100 this year.

"I've come to this 12 to 24 months ahead of everyone else," said Owens, a calm, thoughtful man who farms near Mound City in northwest Missouri. "You can't imagine how much money I lost in 1983 and 1984. Reality had to come to me sooner."

In 1983, one of Owens' three children was in a car wreck that left him paralyzed. That same year, drought devastated Owens' crop. The next year, a flood took 700 acres of cropland.

"I went through a period of depression a year ago," Owens said. "I knew I could not make things work financially farming. I knew there was no way I could make things work."

Owens started making other plans. The Career Options workshop gave him an appreciation for all the other skills, financial, supervisory and mechanical, that farmers use.

"I'm a darn good mechanic. I can rebuild the biggest diesel engine and do it well. I have welding skills, machining skills. I can drive a semi. Most farmers have a lot of experience they can draw on that makes them qualified for a number of jobs. Realizing that fact is something else."

Owens is looking toward a career in industrial psychology, or perhaps teaching at a small college after he completes his degree. He doesn't see farming in his future, except perhaps as a hobby.

"I like life enough I don't plan on subjecting myself to this kind of depression the rest of my life. I don't care how much I like farming," he said.

'Wrong time in the cycle'

A few miles away, Stephen Wright is planting corn and soybeans on the 535 acres he rents, a little later than he'd like because of a delay in financing from the Farmers Home Administration. He thinks there's a future in farming. He just doesn't expect it to include him.

"Our problem — a lot of people's problem in this area — is bad timing. We got into farming at the wrong time in the cycle," said Wright, 35, who started his own operation in 1981. "But I don't feel we can sit around and wait for the change. We've gone five bad years, and things aren't getting any better any quicker."

Like many farmers, Wright has other jobs, and these days it's the

side jobs that are supporting him, his wife, Sheri, and their three young children. He sells and installs irrigation systems, does custom harvesting, and referees high school basketball games three or four nights a week.

"I'm diversified, but everything's in agriculture," Wright said. "That's what's a bummer for me."

The best work for many people in northwest Missouri, he said, is at the new beef packing plant in Rock Port.

"I can't see myself going to beef packers," he said. "I like working outside."

Whatever he does, he'll still have a massive debt to FmHA from his seven years of farming.

"I would feel a lot better about going into a new venture with a clean slate," he said. "But to have a clean slate, you have to declare bankruptcy, which nobody wants to talk about."

For many, it's been unavoidable. Farm bankruptcies have increased every year for the last six years in Missouri, to 537 last year.

Despite those grim prospects, Wright laughs easily and talks optimistically.

"I've got my health, I've got my kids and my wife," he said. "I can do something else."

May 12, 1987

University Mo. Extension Center
Jean Ward
Highway P R.5
Kirksville, Mo 63501

Dear Jean,

I would like to say "THANK YOU" to you and all the people involved with The Career Options for Missouri Farm Families Project. It is a very good program.

Being directly involved with the farm crisis, I have to consider options of possibly getting a job outside of farming.

I feel that before you can play the game, you have to study the lesson. I have never had to play the job hunting game and I came home feeling I had a great opportunity to study the lesson.

When I left Columbia, Friday afternoon (May 8), I felt that I had attended a helpful workshop and had made several new friends.

It was an Enjoyable Experience,

Leon Brown

Leon Brown
R. 1 Box 72
Maitland, Mo. 64466

P.S. If at anytime I could be of any help to any of you, feel free to call.

Testimony of

Larry A. Werries

Director

Illinois Department of Agriculture

Mr. Chairman and distinguished members of the Subcomittee on Conservation, Credit and Rural Development; I wish to thank you for the opportunity to appear before you today for the purpose of discussing the revitilization of rural America. My name is Larry Werries, and I am Director of the Illinois Department of Agriculture, a capacity in which I have had the honor of serving for nearly six and one-half years. I know you are aware of the radical changes which have occured in rural America in the 80s. As a director of a state Department of Agriculture and as a farmer, I can tell you your concern with this issue is much appreciated.

Illinois' leading industry is agriculture. Our natural resources base of more than 24 million acres of fertile cropland combined with excellent climatic conditions translate into levels of production that are the envy of the world. Bustling rural communities brimming with small businesses and agricultural support industries have provided the conerstone for the development of past successes in Illinois agriculture. However, a tailspinning agricultural industry has left its mark on our rural communities and threatens many with destruction if relief does not come soon.

Thousands of Illinois farmers have left the land each year since the early 1980's. Machinery dealers...fertilizer businesses...rural banks...and countless other support industries have closed their doors or consolidated

into regional service units. In some cases, the net impact on the productivity of the agricultural sector has been a leaner, more efficient system, however, in other areas the changes have handicapped producers, making it difficult to obtain competitively priced inputs in a timely manner. Although this is not a widespread problem now, it very well could develop into one if the decline in rural agricultural support industries is not reversed. As a farmer, it is unsettling to think of facing infrastructure problems even distantly approaching the nighmares experienced in the Soviet Union where land may lie idle...not tilled or planted because a tractor broke down and no spare parts are available to make repairs. Worse yet, the crop could be potentially large, but it might rot in the field before repairs would be made to ill-maintained harvest machines.

We all know such a scenario is unlikely in the U.S. given existing conditions, but I do not know if we can be certain such problems won't develop if the decline in rural agricultural support industries proceeds unchecked.

In addition to the threat of agricultural support decay in rural America, the extreme pressures generated from financial hardship have given birth to increased social concern. Illinois has taken the initiative to assist in banding several special resources together for the purpose of assisting

troubled farmers and rural communities during this difficult transition period. The Illinois Department of Agriculture has been an active participant in the development of this support which includes legal assistance, stress counseling and a variety of information channels to facilitate assistance efforts. Illinois' active role in these efforts have produced programs that have been well-utilized. An example is in the area of stress counseling where more than 2,000 cases were recorded in the first years of a crisis intervention program funded through the Illinois Department of Agriculture for farmers and family members. More than 90 percent of these had not been helped by any other form of counseling prior to coming into contact with the workers from the Farm Resources Center who operate this very important effort.

Similarily, statewide legal assistance and financial advisory programs have been heavily used. It is not surprising to me that state resources have proven to be extremely successful in channeling help to the local community level. State governments tend to have assets and understanding to ensure complimentary rather than duplicative programs.

Recognizing a state's very important role, Governor James Thompson established the Task Force on the Future of Rural Illinois in March 1986. As a result of a very hard 14 months of work on the part of the task force,

concerns voiced by citizens in rural Illinois are receiving attention. A Rural Fair Share Initiative has been formed, a permanent Rural Affairs Council within state government has been established, and countless suggestions regarding rural education, job training, and community developments are being heard.

Having briefly pointed out the problem and some efforts underway in Illinois to address key components of rural decline, let me outline a few areas I think worthy of your consideration at the federal level.

TECHNICAL ASSISTANCE -- Most rural communities are governed by part-time or volunteer leadership. In either case, it is difficult for them to keep abreast of rapidly changing economic influences. Professional guidance needs to be available to assist in the development of alternate business opportunies and uniform community development. Without such guidance, many communities are likely to self-destruct.

MODERNIZATION GRANTS -- Water and sewer system upgrades are still a problem for some. If there is not a way to accomplish reasonable objectives for modernization, grants might be appropriate as the funding mechanism. Loan guarantees would also serve a useful purpose. I realize, as we approach these financially-related issues, budgetary implications you may be considering will influence the direction of these programs.

COMMUNICATIONS -- We are living in an age of information transfer, yet many rural systems are antiquated and could not possibly serve the needs of modern business. Upgraded systems would serve farmers and small community businesses by helping make them more competitive and efficient.

DIVERSIFICATION -- Traditional opportunities need not be totally discarded, however, strong efforts to seek out additional income through diversification into less traditional areas could serve to broaden the foundation of rural communities. Knowledge of such potential would need outside influence as the catalyst. An example would be efforts on the part of the Illinois Department of Agriculture domestic marketing staff to educate farmers as to the potential in growing poultry for an area packer in need of expanded production. State officials are in a key position in such efforts in that they have a close understanding of the potential markets and are also aware of potential hazards to avoid.

LOCATION INCENTIVES -- Certain businesses and industry might be well-served by a rural community, yet may find it easier to pursue an urban location to narrow risk. Economic incentives could dissolve negative influences for business development in rural areas.

IN SUMMARY

Rural communities are unique. Though some characteristics may be similar, they each have distinctively different personalities which require individual attention. Focus at the local level is often very narrow, yet at the federal level, it becomes too broad. Rural revitalization is unquestionably an area where strong state leadership and direction supported by federal funding is by far the most likely to succeed.

There is not time available to ponder the ramifications of failure to act to revive rural communities across the nation. The support industries which have made this country's agriculture the envy of the world, cannot be reinstated overnight should they fall out of circulation. The spirit and independence of the rural entrepreneur were the driving forces behind the founders of this country. That is not easily extinquished, but once it is out, it is certainly not easily rekindled. I urge your continued perseverance in seeking solutions to this very important challenge of our heartland. Thank you.

Testimony of

Jay R. Hedges

Director

Illinois Department of Commerce and Community Affairs

Mr. Chairman and members of the House Subcommittee on Conservation, Credit and Rural Development; it is a great pleasure for me to appear before you today to discuss rural development. My name is Jay Hedges, I am Director of the Illinois Department of Commerce and Community Affairs. I am pleased that the House Subcommittee on Conservation, Credit and Rural Development has chosen to play a leadership role in rural development. This morning, I would like to share with you the role of the Illinois Department of Commerce and Community Affairs in rural development, information on the nature of rural Illinois, and suggestions about how the federal government can help.

The Department of Commerce and Community Affairs (DCCA) was established as the primary agency to promote community and economic development in Illinois. The department serves as the central source of information and assistance for businesses and local governments in the state. The primary responsibilities of the agency are to ensure economic stability, enhance business prosperity, and increase employment and employment opportunities.

Numerous specific programs are being used to assist Illinois communities to prepare themselves for commercial and industrial development. The department runs the large Community Service Block Grant, the Community Development Block Grant and the Job Training Partnership Act. With state revenues, DCCA provides business financing capital, employee training, government contract procurement assistance, business management assistance, and numerous other resources. Our agency also undertakes tourism promotion, operates the Office of Films, and runs the international trade promotion efforts in Illinois.

Many of DCCAs programs are targeted to assist the state's small business. In Illinois small businesses employ about half of the state's workforce, contribute 42 percent of sales, and generate 38 percent of the gross state product. Small firms are on the cutting edge of innovation, providing products, ideas, and opportunities for the future.

The Department of Commerce and Community Affairs is also unique in that we have developed a statewide marketing network to help firms identify and gain access to local, state, and federal economic development programs. This network of professional staff and informational resources help to assure the success of local economic development projects.

As a result of DCCAs efforts in FY 86, 42,240 jobs were created or retained; over 170 new and expanding manufacturing plants were assisted; and numerous business prospect tours were given.

With respect to economic development assistance, the Department of Commerce and Community Affairs manages several important programs. Our financial programs operate in concert with private lending sources and our management and technical assistance programs are delivered at the local level by service organizations that are heavily involved in community development.

BUSINESS FINANCE

Briefly, some of DCCAs programs include:

The Fixed Rate Financing Loan Program is nationally unique. The fund combines the Small Business Administration's 7a loans with low interest state funds. The fund provides long-term, fixed-rate financing to Illinois companies, creating new employment opportunities for low- to moderate-income workers.

The Business Innovation Program and Equity Investment Fund are equity financing programs geared toward the development and commercialization of new ideas and technologies for young companies.

The state-financed Small Business Development Program which is a part of Build Illinois offers low-interest direct loans for up to 25 percent of the cost of a business retention or expansion project in cooperation with private sector lenders.

The Large Business Development Program offers financing to large businesses locating in Illinois or for an expansion or retention of an existing large Illinois firm.

The Community Development Assistance Program awards grants to communities through a funded quarterly competitive cycle for development opportunities. The communities then usually make loans to businesses at reduced interest rates or use funds for infrastructure improvement.

SMALL BUSINESS MANAGEMENT ASSISTANCE

The department runs programs offering small business management counseling and training assistance for new and ongoing business owners and a statewide technology commercialization assistance program.

Small Business Development Centers (SBDCs), eight of which are located throughout rural Illinois, hold instructional workshops or provide counseling on specific business issues such as financing, marketing, procurement opportunities, production, business organization, etc. Ten of the state's SBDCs offer specific self-employment or entrepreneurship training programs.

Technology Commercialization Centers offer technology research and product commercialization analysis. This is available through 12 of the state's major research universities and federal labs, seven of which are located in rural areas.

COMMUNITY DEVELOPMENT

The Department of Commerce and Community Affairs administers significant resource programs designed to assist local governments and communities in economic development activities.

Job Training Services -- The department administers job training programs in 26 regions which help to cover the employee training costs for businesses.

The Illinois Enterprise Zone Program stimulates economic growth and/or neighborhood revitalization in 49 areas or zones of the state including fifteen in rural cities. Commercial or industrial firms which locate or expand in an enterprise zone can benefit from property tax abatements, a one-half percent investment tax credit, an exemption from the state sales tax, a $500 tax credit for new workers hired and other incentives.

The "Build Illinois" Infrastructure Assistance Program helps DCCA make grants or loans for access roads, sewers, utility hook-ups, or other infrastructure which contributes to economic development.

Tax Increment Financing (TIF) -- Almost 100 communities in Illinois use incremental property and sales taxes to finance the costs of publicly provided project improvements needed to help induce private redevelopment.

Industrial Revenue Bonds (IRBs) -- Illinois issued more than $850 million in industrial revenue bonds in 1985 to help industrial firms locating and/or expanding in the state which reduced their interest rate on borrowed funds.

The Property Tax Abatement Program allows any taxing district in Illinois to make available a property tax abatement which can be used to help attract an industrial or commercial firm or to expand an existing industrial or commercial operation.

ILLINOIS RURAL ECONOMY

Even with all these resources, DCCA is not able to adequately meet the needs of our rural citizens. Illinois' rural economy is in transition, causing a need to direct additional financial and technical assistance into the state's rural areas -- like other states are doing.
Let me share with you some facts that dramatize the situation.

Notwithstanding the fact that Illinois is home to the third largest urban area in the U.S. (Chicago area), Illinois is largely a rural state. Almost 80 percent of the counties in Illinois are non urban and do not have a central city of 20,000 population or more within their borders. Almost 50 percent of the counties in the state have a total population of less than 20,000.

Industry in rural Illinois consists primarily of agriculture (grain and livestock) but also includes mining, manufacturing, and retail industries. The agricultural industry in Illinois is a major economic component of the gross state product.

Within the agricultural economy, grain crops are a major product. Corn and soybeans command the most acres in Illinois. Wheat and oats have been the main secondary grain crops in Illinois comprising six percent of farm production. A second major part of Illinois' agricultural industry is livestock. The state's pork production is approximately double that of cattle. The economic impact of livestock is substantial, representing 30 percent of total farm cash income.

In the last five years, exports of Illinois feed grain products have declined. In this same period, Illinois has dropped from second to third in value per state of total agricultural exports in our nation. State agricultural statistics show deficit returns for cost of production for pork and grain products over the last few years. In fact, returns on hog production have been negative in six of the last seven years.

Illinois' rural area poverty is a reflection of the economic distress in rural America. In one-half of Illinois' rural counties, more than 12 percent of the population have incomes falling below the poverty level, and two counties have double the national average of low-income with over 24 percent of their population falling below the poverty levels.

The unemployment rates are relatively high in Illinois' rural counties. Unemployment rates have increased in rural Illinois. The January 1987 average unemployment rate for rural counties in Illinois is over 14 percent.

Farming, however, is not the only rural industry to be affected. Employment in the mining industry declined by over nine percent in the past year, and personal income derived from mining is expected to drop more than 15 percent. These individuals will also be seeking new ways to support themselves and perhaps new places to live. One-fifth of Illinois' rural

counties are dependent on manufacturing as a main source of income. As this industrial component, the manufacturing base, shifts production or improves efficiency, more rural jobs are displaced.

Like other states, the communities of rural Illinois have also seen a change in the population base. Increased farm productivity and increased employment opportunities in urbanized areas in the last 20 years have led to a major shift of population from rural to urban areas. In the past quarter-century (since 1960), over 44 percent of the farm population left their farms and moved to other areas. In the last five years, larger numbers of individuals are moving back to rural areas even though they work in an urban center.

The shift of rural citizens is creating more regionalized communities. More and more of the personal services, retail industries and interstate transportation facilities are disbursed throughout a multi-county region. In many cases rural residents must travel many miles to receive needed medical attention, purchase the products they desire or connect with both air and ground transportation.

While there are rural problems, there is also a good deal of rural stabilization and strength. The positive mental attitude of rural individuals is promoting an increased willingness to do what is necessary to help change the economic conditions of rural Illinois. Economic changes are evidenced by an increasing number of auto suppliers bringing new employment opportunities to rural areas. Value added agricultural processing facilities are providing new uses for Illinois crops and stabilizing production costs which presents an encouraging future.

ILLINOIS RURAL ASSISTANCE EFFORTS

Illinois has not been unconcerned with the needs of our rural areas. In the last several years, more and more specific steps are being taken to preserve the special character of Illinois' rural areas.

Illinois, in its efforts to assist rural areas and combat the problems which these areas face, has developed a wide range of responses.

RURAL REVITALIZATION EFFORT

In 1985, Illinois created the Farmer Service Delivery System to address some of the specific needs of rural communities. This effort served to redouble existing state resources and specifically target state services to rural areas. Components of the service delivery system initiative include:

The Agricultural Family Assistance Program, which assists farmers experiencing a stressful situation (such as family unemployment, legal problems, financial crises, farm foreclosures, etc.) by directing them to those who deliver the appropriate services. Through the nine state regions designated by the University of Illinois, Agriculture Extension agents and Home Economics Extension agents identify farmers in stress situations and refer them to a program that could help them.

The Illinois Farm Legal Assistance Foundation, which assists Illinois farmers in acquiring legal help. Farmers in need of legal assistance receive one hour of a participating attorney's time free of charge and pay only $5 per hour for the next six hours of legal work. Terms for legal services beyond the initial seven hours will be arranged between the farmer and his or her lawyer. To qualify for the program, an Illinois farmer must derive at least 60 percent of his or her income from farming and must have a debt to asset ratio of more than 50 percent.

The Rural Route Program advises farmers who have financial problems in relation to their farming operation. Ag advisors make individual visits to farm families and can help prepare family living budgets, production budgets and break-even analyses to map out a strategy to remain solvent.

A Farm Resource Center is a stress aid center for the farm population. Outreach counselors located in each of the nine Ag regions are experts in stress counseling, and handle all referrals either by giving direct service or by helping the client get needed service through a local mental health center.

The Dislocated Farmer Service Center is operated through ten community colleges in Illinois; this program delivers employment training or re-training to dislocated workers. Farmers who are foreclosing their operation or those who have been out of farming for a long period of time and have not found suitable employment could be eligible for these services.

TASK FORCE ON THE FUTURE OF RURAL ILLINOIS

On March 20, 1986, Governor Thompson announced the formation of the Task Force on the Future of Rural Illinois. Led by Lieutenant Governor Ryan, the Rural Task Force members held 22 public hearings and visited more than 115 cities to listen to the concerns, views, and problems of small town citizens. Major recommendations of the Task Force include:

Maintain the Rural Emphasis. This has led to the creation of the Rural Fair Share Initiative, a permanent Rural Affairs Council within state government, and the Illinois Institute for Rural Affairs.

Bolster the Rural Economy. The Task Force has urged the state to expand its exporting efforts; help increase value added processing; continue to address rural infrastructure problems; and promote rural tourism opportunities.

Strengthen Local Government. The Task Force urged the General Assembly to eliminate the practice of passing state mandates without providing for appropriate financing. In addition, the Task Force recommended that the continued reliance on local property taxes as the primary source of financing local schools should be reduced. And finally, the Department of Commerce and Community Affairs was encouraged to help local leaders develop the ability to best handle their responsibilities, which are growing more complex.

Improve Education and Human Resources. The Task Force found a need for creative approaches by rural schools to improve their quality of education -- for example, through teacher and program sharing. The Task Force also recommends that state health and social service agencies improve their services, possibly by increasing outreach and home care services. Finally, the Task Force called upon rural health care systems to form cooperative ventures to bring down costs, improve quality, and ensure timely services.

INVESTMENTS NEEDED IN RURAL AREAS

Using innovative programs designed for farmers and rural residents, the federal government should direct new financing into the rural areas of each state. Financing is a critical component of economic development and diversification for rural areas. In addition to the federal funds, private investments must also be leveraged and directed to rural areas.

The federal government should join state and local efforts to encourage capital investment in rural America. For example, banking regulations often create barriers to the flow of capital to the opportunities available in rural areas. Bank regulators have to classify risky loans in order to protect depositors, but inadvertently this makes it expensive for banks to lend to smaller and newer enterprises and to continue investments in farm production.

The Glass-Steagall Act requires that banks cannot make equity investments, which denies small firms a stable source of funds. The result is that banks are not encouraged to actively seek new customers and because of the small return on agricultural investments and the low individual loan limits of rural banks, many private lenders are reluctant to invest in rural America.

NONPROFIT NATIONAL CORPORATIONS

I would encourage you to look for innovative ways to provide financing assistance to rural America. For example, Congress established the new USDA/FmHA Financing Program (Nonprofit National Corporations Loan and Grant program), which will provide up to $20 million of guarantee authority and $14.5 million of technical and grant assistance to rural America for development purposes. I am pleased that Illinois has been chosen to participate in this new program. For this program to be successful, some administrative flexibility is needed. Interest rates should be similar to those allowed by the SBA Guaranteed Loan programs. Also it would be preferable if the federal guarantee would cover 85 percent of the loan and not the 80 percent. Increased flexibility over the form of the guaranteed bank note is needed because of Illinois' six separate state banking regions. Finally, as Illinois begins to qualify projects for financing, state and federal government must be sensitive to the timing needs of each project. Illinois normally processes its state companion loan applications in four weeks, and would hope a similar time frame is used by the Farmers Home Administration (FmHA) for its informational review.

It is important that federal assistance be flexible -- loan guarantees, direct loans, grants or other forms of financing are needed and should be managed by the state and local governments to ensure maximum effectiveness.

-11-

Illinois' Nonprofit National Finance Corporations Loan and Grant Program efforts, for example, will be targeted for rural development -- improving business, industry, and employment in rural areas. These strategies include stimulating private financing of small businesses or self-employed operations; financing traditional manufacturing and industry which are to be located in rural areas and promoting agricultural diversification or value added processing of Illinois' agricultural products. These targeted investment activities are consistent with the national purpose of the Nonprofit National Finance Corporation program and also meet the State of Illinois' needs.

State and federal funds are needed to finance revolving loan funds for displaced farm workers seeking to develop their own small business or trade in order to make a living. Financing new small firms in rural areas provides displaced farmers an opportunity to use their technical skills in a new business pursuit. These businesses can sometimes be operated out of the home and often require financing under $25,000 in order to become capitalized. The most appropriate type of financing for such firms is from a revolving loan fund, financed in part by Farmers Home Administration funds and by state funds.

Additional financing for more traditional business and industrial expansions in rural areas would offer job opportunities to displaced farmers and supplement the agricultural sources of rural family income. Financing in the form of FmHA guarantees, direct state loans, and private assistance should be available based on the particular financing gap experienced by the firm.

Adding new value to farm products is an additional method to promote rural development. This strategy further serves to diversify rural economies from sources other than cash grain, e.g., corn or soybeans. Example of these types of concerns might include commercial and value added agri-businesses, such as alfalfa processing, ethanol production, egg breaking, meat processing, etc.

TECHNICAL ASSISTANCE NEEDS

The federal government can also assist states in providing the much needed management and technical assistance to rural individuals and communities. Funds are needed to train community leaders in rural areas -- to help them carry out their many important responsibilities. Rural community officials are often part-time and lack the time to develop the needed expertise. There is a need to understand complex federal regulations and standards; handle the problems associated with a dispersed community; and unfamiliarity with today's more sophisticated economic development financing programs.

The missing link in many rural development projects is more and better technical assistance. Large communities have available resources to contract with firms or hire staff for such assistance. The smaller rural community, however, needs a no- or low-cost source of staff or expertise which can identify programs, regulations and procedures which are essential to the community's development efforts. Federal support is needed for this technical assistance and can be provided through state development agencies. Technical assistance directed to communities must include -- identification of alternative agricultural and rural enterprise production options, feasibility studies, market-based studies, engineering reviews, production analyses, suggestions for alternative non-production land uses, business management counseling and training programs, and entrepreneurial or self-employment training and similar efforts.

CONCLUSION

The Department of Commerce and Community Affairs will continue its efforts to increase economic and employment opportunities.

Using the proven strategies of a stable tax climate, business loans and technical support, and access to other types of financing, DCCA improves the growth opportunities for Illinois firms. This is an important part of revitalizing the economic base of all areas of the state.

Assistance, both financial and technical, is essential to the development of rural areas. The key factor, however, that will tie the resources together is a working partnership between the federal, state and local governments and the private sector. Only through a joint effort can the revitalization of rural areas become a reality.

I commend you for holding these hearings and thank you for the opportunity to speak.

###

Testimony of Jim Hall

Governor's Office
State of Tennessee

I would like to begin by summarizing some of the findings from a recent study prepared by Tennessee's Advisory Commission on Intergovernmental Relations.

- Tennessee's unemployment rate has been consistently higher than the U.S. since 1979.

- Rural areas experience higher unemployment and greater instability in unemployment rates than urban areas.

- Nearly one-third of Tennessee's counties are historically and persistently poor.

- There is a strong relationship between income and level of educational attainment; only 39 percent of the adult population of the poorest counties finished high school compared to 58 percent of the richest counties.

- Poor counties are mostly rural.

- Metro areas have higher incomes; higher levels of educational attainment; higher growth rates in population, sales tax collections, and per capita incomes; lower unemployment; and rank higher overall in both the growth index and economic health index.

- Non-metro areas have 34 percent of their work forces employed in manufacturing compared to 20 percent for metro areas, therefore, the recent losses in manufacturing jobs have had a greater impact on non-metro (and hence, poorer) areas.

The problems that Tennessee has are increased by the disparity between the urban and rural areas of the state. The major cities are close to or above the national average in per capita income. The latest statistics produced by the U. S. Bureau of Economic Analysis show that only two counties had a per capita income above the national average. Both of these counties are in the Nashville metropolitan area. When the state's metropolitan areas are taken as a whole, they had a per capita income 78% of the national average. This is in sharp contrast to the 64% for nonmetropolitan areas. Additionally, seven rural counties had a per capita income less than half the national average, while another 34 countries had per capita incomes between half and two-thirds the national average.

According to a study by the U. S. Department of Agriculture, Tennessee has 27 counties that are classified as areas with "still persistently low-income"(SPLI). About two-thirds of these counties are located in the Appalachian region of middle and east Tennessee and are concentrated along the Kentucky border; the remainder are in west Tennessee.

There is a close relationship between the urban/rural nature of a county and the income level. The greater the percentage of a county's population that is rural, the lower the per capita income. This tendency holds true for the SPLI counties: all 27 counties have at least half their respective populations classified as rural; 15 of the 27 counties are as 100 percent rural.

One indication of the dilemma faced by these low income counties is revealed by a comparison of the relative income level with educational attainment. A recent study has shown that 15 of the lowest income counties also have the lowest educational attainment. In addition to the relationship between education and income, there is also a strong relationship between education and unemployment: the higher the unemployment rate, the lower the educational level.

Other signs of the disparity between the urban and rural areas of the state are the level of unemployment and the employment growth patterns. The nonmetropolitan area unemployment rates have been consistently higher than metropolitan rates since 1973. In 1985, the metropolitan areas had an annual average unemployment rate of 6.3%, while the nonmetropolitan areas' unemployment rate was 11.4%.

A slowing down of employment growth occurred before the 1980 recession and may be related to the exportation of manufacturing jobs and the chronic problems of American agriculture. The post-war growth of manufacturing (particularly non-durable manufacturing) in rural Tennessee probably sustained small family farming by providing alternative and supplementary employment for farm families. The simultaneous decline of manufacturing and farming has contributed significantly to higher levels of employment in many rural areas. Moreover, persons whose job skills are limited to farming and traditional manufacturing will experience limited reemployment opportunities except in low wage service jobs.

Current growth patterns are increasing the disparity between urban and rural areas. Employment in urban areas increased 5.7% from 1980 to 1985 and 2.8% in rural areas. During this time period, most of the counties in Tennessee that experienced rapid employment growth were in middle and east Tennessee. The largest concentration of low employment growth counties were west of the Nashville metropolitan area. Most of the counties that experienced employment losses also experienced losses in manufacturing employment. The concentration of job losses in manufacturing that occurred in the rural counties of upper west Tennessee were primarily in the nondurable goods industries, those hit by foreign competition.

In manufacturing, jobs reached an all-time high in 1979 then declined drastically and have not returned to the 1979 level. Although there was a short-term upward trend in 1983, jobs decreased again during 1984. As a result of recent slow employment growth trends, 52 Tennessee counties (47 in nonmetro areas) had greater than 10% unemployment in 1985, compared to a national average of 7.2% and a state average of 8.0%.

Because of the lack of employment opportunities in rural areas many people are forced to move to urban areas or commute long distances for work. Without sufficient employment opportunities in our state's rural areas, many of the communities in theses areas will not be able to survive.

To correct these long term problems a new approach to economic development is needed in Tennessee, especially in rural areas where unemployment has remained high and income low. Little thought has been given to what type of infrastructure would best suit a small community. Even less consideration has been given to what type of industry should be recruited or business development assistance provided. Expensive investments have been made for water and sewer lines, rail spurs, access roads and industrial spec buildings and property, only to recruit companies that produce non-durable manufactured goods. The result has been apparel and textile industries dominating Tennessee's rural economy. Now, widespread plant closings have left many communities with few jobs, low skill levels among workers, and little hope.

To solve these problems, a cooperative effort between the state and federal governments will be needed. In Tennessee, we have developed several programs that we feel will aid in the economic development of the state. First, we have initiated a venture capital program to assist in the start-up of new industries. Second, we have implemented a better schools program to improve teacher pay and increase the quality of elementary and secondary education. Third, we have started a massive road improvement and construction program that will improve access to the rural areas of the state. Fourth, we will be implementing a housing program to make it possible for low income families to have access to decent housing. Fifth, we will be implementing an indigent care program to insure that low income persons will not be denied access to the health care system. Sixth, we will be preparing a 95 county job plan to coordinate all of the state's development programs and to serve as a guide for the formulation of economic policy.

One of the most important parts of our economic development initiatives will be a series of cabinet meetings that our Governor will be holding across the state. The purpose of these meetings will be to learn what Tennesseans are concerned about and focus our state programs to address those concerns.

From the federal level we would like to see support for rural development in the form of programs to assist the small businesses. One area where assistance is needed is in the financing of new businesses operating expenditures. A program that would provide support during the crucial startup period would insure that more small businesses survive and continue to provide much needed employment in rural areas.

To summarize, the primary problem that we face in Tennessee is one of uneven economic growth across the state. The challenge we face is to manage growth in areas that are doing well and stimulate growth in the areas that are not.

78-346 0 - 88 - 7

STATEMENT BY ALICEANN WOHLBRUCK, ON BEHALF OF THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO), BEFORE THE SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT OF THE COMMITTEE ON AGRICULTURE, UNITED STATES HOUSE OF REPRESENTATIVES, MAY 19, 1987

Mr. Chairman, members of the Subcommittee on Conservation, Credit, and Rural Development I am Aliceann Wohlbruck, Executive Director of the National Association of Development Organizations (NADO).

I would like to thank you Mr. Chairman and the ranking minority member Mr. Coleman for inviting NADO to be represented at these hearings today. Our members are aware of your leadership in gaining better understanding of the needs and problems faced by rural communities. We are grateful for the opportunity to comment on the problems facing rural communities and the rural development legislation pending before the Subcommittee. We offer our association's assistance as you refine the bills and gain passage of them.

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

NADO was founded in 1967 by a group of economic development districts to encourage the creation and retention of jobs in rural and small metropolitan areas. Today our members are multi-county planning and development organizations and other state and local agencies which help local governments and the private sector work together on business, community, economic and rural development programs. With a small Washington staff and a strong grassroots network NADO carries out a number of information, training and service functions.

Among our members are the Southwest Tennessee Development District whose Executive Director George Boyd serves on the NADO Board and the Green Hills Regional Planning Commission whose Executive Director Michael Johns serves as NADO Secretary.

DEVELOPMENT DISTRICTS

For thousands of communities, development district staffs provide the only professional assistance to governments, businesses and citizens in the field of economic development. By working cooperatively through development districts, local governments and the private sector can maintain and create jobs with a minimum of control from Washington and maximum local participation. Development districts have become an essential part of the "institutional infrastructure" in much of rural America.

For small metropolitan and rural communities, the Farmers Home Administration (FmHA) non-farm programs, Economic Development Administration (EDA), Appalachian Regional Commission (ARC), and Small Business Administration (SBA) are the federal development programs which have been of the greatest value.

ECONOMIC CONDITIONS VARY WIDELY

NADO's members serve rural and small metropolitan areas across the country. In the areas where our members work, they are concerned about the economic well-being of a substate region rather than a single jurisdiction. If a rural (or urban) area's economy is depressed and its resources are under- utilized, the entire country should be concerned and efforts should be made to help people to improve their situation. Over the past 20 years the professional staff of regional organizations has helped local people to create jobs by making public investments which encourage private investment.

DISTRICTS PROVIDE ASSISTANCE TO SMALL BUSINESS THROUGH SBA PROGAMS

One example of how districts serve as a development resource is our involvement in the SBA Section 503/504 program. Approximately half of the Small Business Administration's Section 503/504 Certified Development Companies were established on a regional basis by development districts. By using the 503/504 program, many small businesses have been able to obtain guaranteed loans for fixed asset financing in combination with private funding. Without the institutional infrastructure established by EDA, certified development company financing would not be available in small metropolitan and rural areas.

RURAL ECONOMIC DEPRESSION

I would like the subcommittee to consider the particular problems which continue to be faced by many rural areas and small cities.

The general economic recovery of the past several years has bypassed many rural areas. In each region of the country, the metropolitan areas are outperforming the rural areas. Preliminary results of a survey done by the Appalachian Regional Commission on the economic conditions of all of the nation's counties from 1970 to the mid-1980's show that a two-tier economy is developing. Their study shows that the economies of a large number of counties extending from Canada to the Gulf of Mexico are performing poorly. The urban areas of the East and West and some areas in the South are enjoying economic prosperity, but rural areas in the same regions are not faring as well.

Some of the findings in the study include:

• It is evident that the benefits of the recovery and prosperity in the United States are not being enjoyed to the same extent in all areas of the country. Some regions are clearly endowed with a higher number of better-performing counties than are other regions.

• In each region of the country, the metropolitan areas are outperforming the rural areas. The decade of the seventies saw a short-lived surge in growth in rural counties and small towns, which was a reversal of the farm-to-city movement that started at the beginning of the century. By 1980 the trend reversed and outmigration from rural areas was again the norm.

• The effect of the decline in manufacturing employment in the U.S. is markedly evident. Areas that depended on traditional manufacturing have been shaken by the dwindling relative role of manufacturing as an employer in the U.S. economy.

* Those areas that are still heavily dependent on textiles, apparel, shoes and wood products as a source of manufacturing growth are losing out.

In addition to the problems identified in the ARC study, there are serious problems in many of the extractive industries such as mining, timber and fishing which are located in rural areas. Except for precious and strategic minerals, the mining industries throughout the country are having major problems. In the timber industry employment has been lost because of mechanization and import competition.

The growth of the service economy is also bad news for rural areas. Both business and personal services depend on large numbers of businesses and people as customers. Professional service providers depend on state-of-the art communications and good transportation. One of the results of deregulation for rural areas is the loss of airline service and inadequate systems for high-technology tranamission by rural telephone companies.

Experts say that there is a rural economic crisis in all but 20 to 25 percent of nonmetropolitan counties. Rural areas that are prospering include resort and retirement areas that are enjoying an inflow of private and government pension and Social Security money.

Recently the media have reported a renewed optimism in the Farm Belt because of rising commodity prices, more farmland being sold and an apparent plateau in farm debt. However, The Wall Street Journal in a May 11 article headlined "Farm Optimism Rises, but Woes Persist" pointed out that the problems are not over:

> But the recovery is largely a government-funded mirage. Farmland prices in most regions are still sliding, and the nation's two largest farm lenders are still holding foreclosed acreage the size of Hawaii off the market for fear of worsening the skid. Farm failures in parts of the Midwest are still running at 2.7%, down only slightly from the disruptive rates of the past two years. And perhaps most important, government farm spending, projected at nearly $26 billion this year, is holding steady at levels far off the historical charts.

THE NEED FOR FEDERAL INVESTMENTS IN DEVELOPMENT IN RURAL AMERICA

We believe that the federal government has a responsiblity to encourage, in fact to foster, economic development and economic diversification in rural and urban areas. Not all communities are equally endowed with economic resources and the effects of broad macro-economic policies do not fall evenly across the land. Many big cities and major metropolitan areas are now experiencing an urban revival thanks in part to federal investments through programs like the Community Development Block Grant and Urban Development Action Grant programs.

For small metropolitan and rural communities EDA is the federal development program that has been of the greatest value because of the types of assistance that it makes available for planning, technical assistance, public works and revolving loan funds. We are pleased to see similar types of assistance would be made available through the Department of Agriculture under Mr. Jones and Mr. Coleman's bills.

The federal funds which are provided by EDA, are investments returning tax revenues, not one-shot expenditures. EDA dollars help rural areas create jobs, improve incomes and leverage private sector funds. We are pleased that EDA, although much reduced in the past seven years, is now focusing more of their remaining funds in rural areas. However, it is clear to us that much more than the current $200 million in the total EDA budget will be required to halt the economic deterioration in many of our nation's rural communities.

FEDERAL DEVELOPMENT PROGRAMS FOR RURAL AREAS DRASTICALLY REDUCED

Federal grant and loan programs of considerable concern to NADO members were cut by 61 percent from 1980 to 1987. The Reagan administration's fiscal 1988 budget would bring the reduction since 1980 to 67.5 percent. Nearly one-third of the reduction from 1980 to 1987 was the termination of General Revenue Sharing, but the rest of the cut was spread among many smaller programs. The fact is that the Administration and the Congress have eliminated some programs and severely curtailed others, including EDA, ARC and FmHA. Attached to this testimony is a chart showing the dramatic decline in funding for rural development programs since 1980. The 1988 column shows what has been requested by President Reagan for the coming fiscal year.

EDA, ARC, AND FMHA PROGRAMS ARE MOST IMPORTANT TO RURAL AMERICA

A NADO staff examination of the flow of federal funds to localities for infrastructure-related purposes reveals the importance of Economic Development Administration (EDA), Appalachian Regional Commission (ARC), and Farmers Home Administration (FmHA) nonfarm programs to rural America. In the wake of the termination of General Revenue Sharing, rural communities are facing continuing threats to federal aid for infrastructure-related functions important to their economic futures. Some would-be federal budget cutters and policy arbiters would eliminate EDA, ARC, and FmHA nonfarm rural development programs and reduce both Community Development Block Grants (CDBG) and Environmental Protection Agency (EPA) wastewater programs. In the absence of EDA, ARC, and FmHA programs, CDBG and EPA wastewater grants would be the only federal funding sources for important infrastructure projects.

An analysis of the total of both CDBG (entitlement and nonentitlement) and EPA (Construction Grants for Wastewater Treatment Works, 205(j) Water Quality Management Grants, 205(g) Construction Management Assistance Grants, and State and Interstate Water Pollution Control Program Grants) funding allotments shows that 13 states (New York, California, Illinois, Pennsylvania, Ohio, Texas, Florida, Massachusetts, New Jersey, Michigan, Indiana, Maryland, Missouri plus Puerto Rico) got 65.1 percent of the fiscal 1986 funds. The other 38 states got less than two percent, for a total of 34.7 percent. More significantly, 21 states got less than one percent each, for a total of only 10.2 percent. For this latter group of predominantly rural states, funds from EDA, ARC, and FmHA are very important. Relatively small grants and loans from these three sources loom larger in the context of limited amounts from CDBG and EPA.

78-346 0 - 88 - 8

Below the statewide level, EDA, ARC, and FmHA are particularly important to distressed rural areas. In the aggregate, over 70 percent of the CDBG funding and perhaps 75 percent of the EPA money goes to metropolitan cities and counties. On a state-by-state basis, the small cities' share of CDBG funds is as little as eight percent. In more rural states the percentage of funds going to nonmetropolitan communities may be high but the dollar amount is relatively small. Several states received less than $1.5 million in nonentitlement CDBG funds in 1986.

THE NEED FOR IMPLEMENTATION OF EXISTING RURAL DEVELOPMENT LEGISLATION

On behalf of NADO members who daily face the problems of helping local governments and businesses survive at the grassroots level, I thank you Mr. Jones and Mr. Coleman for introducing bills designed to provide a comprehensive framework for rural development within the Department of Agriculture.

This hearing and the bills introduced by the committee members offer an excellent opportunity and focus for reexamining and refining existing statutory authorities. For example, there already is a requirement that rural areas be given first priority in the location of new federal offices and facilities. This has been on the books since enactment of the Agriculture Act of 1970 with little real effect. Perhaps there should be some refinement to make the requirement effective. Maybe the relocation of existing facilities should be included and the focus should be on distressed communitites, both urban and rural, in order to broaden support in the Congress while addressing a real problem.

We agree with the authors of these rural development bills, that the U.S. Department of Agriculture must become involved in non-farm development programs. However, we are fearful of putting all of our rural development eggs in one basket. Just as urban areas receive development assistance through various federal departments, we believe that rural communities must be eligible for various types of federal assistance. Rural communities must continue to be eligible for transportation assistance from the Department of Transportation, for small business assistance aid from SBA, for economic development funds from the Department of Commerce, etc. In the past several years we have seen this subcommittee add funding for non-farm FmHA programs and then watched USDA reprogram the funds to agriculture.

Although others may disagree, one long-time USDA rural development official (Joseph C. Doherty in American Land Forum Magazine Fall 1986) has the following commentary to offer:

> Is USDA the most appropriate place to center leadership of the rural development process? Despite all that the department has accomplished, it remains predominantly a service and support agency for U.S. commercial agriculture. Only one Secretary in 30 years showed a personal and continuing interest in balancing farm programs with the variety of community improvement endeavors that make up the the rural development process. In 1986 there is almost as little interest in the subject at policy levels in USDA as there was before Under Secretary True Morse got things started 30 years ago.

NADO was one of the groups who supported enactment of the Rural Development Policy Act of 1980, and we had high hopes that the Office of Rural Development Policy and appointment of an Under Secretary for Rural Development would lead to USDA leadership in the field. Unfortunately we have seen the Office of Rural Development Policy abolished and the Under Secretary's position filled only on an acting basis for almost a year. Simply moving boxes around on an organization chart will not help rural communities who face declining revenues and population losses.

Congress can lead the USDA horse to the rural development water, but they cannot make it drink.

We support the requirement for a GAO analysis of existing rural programs in the hope that this will lead to congressional action requiring the Administration to implement and fund currently authorized programs. As you can see from the attached NADO budget analysis, the Reagan Administration has called for elimination of virtually every existing program for rural development.

While volunteerism and private sector participation are essential to the success of rural development, NADO believes that federal money will be needed to help bring back or retain economic stability in rural communities. Our members will do their best to support authorizing legislation such as proposed by Representatives Jones and Coleman, but we are most concerned at this moment whether the budget and appropriations committees will see fit to include actual dollars for implementation. The Reagan Administration has told the Congress that money is needed for defense and for foreign aid, but rural citizens are told to pick themselves up by their bootstraps and use volunteers.

The three highest priorities for funding for rural development purposes are:

Grants to rural organizations for establishment of revolving loan funds to help provide capital to create private sector jobs;

Grants and loans for needed infrastructure including roads, bridges, water and sewer and related community facilities in rural counties and communities;

Grants to locally-based organizations to provide management assistance for local governments and small businesses in rural areas.

WHY ARE FEDERAL RURAL DEVELOPMENT PROGRAMS NEEDED?

A. A traumatic restructuring of the rural economy is now underway. Study after study is now showing that the economic recovery has by-passed rural America and that the U.S. is developing a two-tier economy -- an expanding urban one and a declining rural one.

B. Rural areas and their local governments have few or no development professionals to help them create and retain private-sector jobs.

C. From 1980 to 1987, federal programs designed to help rural development were cut a much greater percentage than those targeted to urban areas.

D. Because of the downturn in agriculture, rural governments are beginning to see a decrease in property tax collections as the value of land declines and more farmers are going bankrupt. The aggregate value of farmland fell 35 percent ($271

billion) between 1981 and 1986. There has also been an increase in the interest rates that rural localities pay on bonds they issue.

E. The farm bill may help farmers but worsen the outlook for rural communities because it encourages farmers to idle more acres of farmland which will result in a decrease in farmers' purchases of equipmentand inputs.

F. Experts believe that recovery in the agricultural sector is three to five years away. While the full effect of the farm crisis has not yet been felt, seven very rural states--Alaska, Louisiana, Wyoming, Texas, New Mexico, Oklahoma, and North Dakota--actually saw a decline in their real per capita income during 1986. In addition, depressed petroleum prices have reduced incomes in rural areas dependent on employment in coal, oil and natural gas production.

G. International competition in traditional rural manufacturing, e.g., clothing and textiles, has literally destroyed the economic bases in many rural communities.

H. It is highly unlikely that state governments will be able to fill the financial gap that is being created by the downturn in the rural economy. Total state tax receipts declined in ten states for the year ending in September 1986 versus the year ending in September 1985 (Alaska, Kansas, Louisiana, Minnesota, Montana, North Dakota, Oklahoma, Oregon, Texas, and Wyoming). State corporate net income tax receipts fell in 22 states. Already this year 23 states have been forced to reduce their budgets reflecting the impact of widespread recession conditions. For example, the State of Missouri not only cut the budget but also raised taxes, and the State of Tennessee has reduced the number of state employees.

CONCLUSION

NADO's members throughout the country stand ready to assist the members of this Subcommittee as you refine the pending legislation and seek the support of your colleagues on other committees in the House and Senate. We are delighted that the bills introduced by Mr. Jones and Mr. Coleman recognize the need to revitalize rural America through non-farm development programs, and look foreward to working for not only authorization but also appropriations and implementation in the coming fiscal year.

(Attachment follows:)

NADO

FEDERAL BUDGET COMPARISON, FY 1988-1988, RURAL PROGRAMS

	1988	1991	1992	1993	1994	1995	1996	1997	Proposed 1988
DEPARTMENT OF AGRICULTURE									
FmHA									
Water & Waste Disposal Grants	290.0	300.0	125.0	300.0	90.0	115.0	89.4	89.4	0.0
Water & Waste Disposal Loans	700.0	750.0	375.0	600.0	270.0	340.0	325.4	325.4	0.0
Community Facility Loans	240.0	260.0	126.2	130.0	130.0	115.0	95.7	95.7	0.0
Business & Industry Grants	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business & Industry Loans	1073.0	741.2	300.0	300.0	300.0	61.4	95.7	95.7	0.0
Fire Protection Grants	3.5	3.5	3.3	3.3	3.3	3.3	3.1	3.1	0.0
Planning Grants (Sec. 111)	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rental Housing Loans	881.3	841.5	953.7	882.0	940.0	903.3	869.9	869.9	0.0
Resource Cons. & Develop. (RC&D) Loans	1.0	2.0	0.9	1.2	4.0	0.5	1.9	1.2	0.0
SCS									
RC & D Projects	32.0	34.0	26.5	30.7	26.0	26.3	25.0	25.0	10.0
APPALACHIAN REGIONAL COMMISSION									
Total Non-Highway Program	126.6	119.9	62.1	83.0	49.1	59.3	32.7	29.4	0.0
Research, T.A., Other	2.6	1.9	2.0	1.0	2.5	4.0	1.0	1.0	0.0
Local Development Districts	5.7	6.0	4.5	4.0	4.0	3.5	2.0	2.0	0.0
Jobs & Private Investment	n.a.	n.a.	n.a.	54.0	27.3	28.4	12.2	10.5	0.0
Distressed Counties Program	n.a.	n.a.	n.a.	15.0	13.6	17.8	3.2	5.9	0.0
Health Finish-up Program	n.a.	n.a.	n.a.	8.2	4.1	3.5	2.0	0.0	0.0
DEPARTMENT OF COMMERCE									
EDA									
Planning Grants	33.6	23.9	24.7	27.0	27.0	26.0	25.3	24.0	0.0
Public Works	268.7	257.9	129.9	129.9	170.0	156.0	107.2	122.4	0.0
Economic Adjustment Grants	85.9	12.0	33.0	33.0	33.0	33.0	24.9	24.0	0.0
Technical Assistance	38.7	26.4	7.9	7.5	8.0	8.2	7.7	7.0	0.0
Research & Evaluation	4.2	2.7	1.0	2.0	1.0	1.0	1.9	1.0	0.2
Direct Loans	116.4	54.1	0.0	17.0	18.1	0.0	0.0	0.0	0.0
Total Program Funds	531.5	377.0	197.1	316.4	258.1	226.0	166.6	188.4	0.0
Loan Guarantees	+25.0	+25.0	150.0	20.0	150.0	150.0	150.0	150.0	0.0
Salaries & Expenses	40.0	39.7	25.0	27.6	27.9	28.4	24.9	25.0	0.0
REGIONAL DEVELOPMENT (Title V)	89.4	47.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0
ENVIRONMENTAL PROTECTION AGENCY									
Construction Grants	+400.0	5120.0	2400.0	2430.0	2425.0	2400.0	1774.2	1200.0	2000.0
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Community Services Block Grant(1988-81 CSA)	558.5	541.3	348.3	375.1	368.0	368.1	328.6	325.0	310.0
National Health Service Corp.	77.5	92.3	88.4	88.3	65.3	59.7	58.5	47.0	0.0
Rural Development Loan Fund	20.0	7.7	2.3	0.0	0.0	0.0	0.0	0.0	0.0
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Comm. Dev. Block Grant (CDBG)(30% rural)	3862.0	3694.0	3456.0	4456.0	3468.0	3468.0	2998.0	3000.0	2589.0
Urban Dev. Action Grant (UDAG)(25% rural)	675.0	675.0	473.7	448.0	448.0	448.0	315.0	225.0	0.0
Rehabilitation Loans (312)	214.2	132.3	49.9	44.9	132.1	0.0	72.0	200.0	0.0

NADO

FEDERAL BUDGET COMPARISON, FY 1980-1988, RURAL PROGRAMS

	1980	1981	1982	1983	1984	1985	1986	1987	Proposed 1988
DEPARTMENT OF INTERIOR									
State Outdoor Rec. (LWCF) Grants	318.6	293.5	46.4	112.2	115.2	102.4	46.0	32.7	0.0
State Historic Preservation Grants	43.8	51.7	23.3	44.9	22.0	21.1	19.5	17.4	0.0
Payment in Lieu of Taxes (BLM)	100.0	100.0	91.3	96.1	105.0	102.9	99.9	105.0	105.0
DEPARTMENT OF LABOR									
JTPA State Block Grant (1980 CETA)	3342.0	n.a.	n.a	2179.3	3300.0	1886.2	1783.1	1848.0	1980.0
Summer Youth (1980 CETA)	2338.5	n.a.	n.a	824.2	824.5	824.5	625.9	750.0	0.0*
Dislocated Worker (1980 Trade Adj. Asst.)	1664.4	n.a.	n.a	110.0	262.7	225.3	95.7	200.0	200.0
Comm. Service Empl. for Older Amer.	266.9	277.1	282.0	319.5	317.3	326.0	311.9	326.0	326.0
SMALL BUSINESS ADMINISTRATION									
503 (504) Cert. Development Co. Loans	(250.0)	(100.0)	(150.0)	(250.0)	(350.0)	(450.0)	(383.0)	(373.0)	(373.0)
Small Bus. Investment Co. Loans	140.0	160.0	134.1	150.9	250.0	256.0	239.0	233.0	267.0
Minority Ent. SBIC Loan (Direct)	32.5	41.2	27.3	25.7	41.0	41.0	39.0	39.0	29.0
General Business Loans (Guaranteed)	3000.0	(2004.7)	(1516.5)	(2094.4)	(2600.0)	(2660.0)	(2691.0)	(2673.0)	(2494.0)
General Business Loans (Direct)	210.7	205.1	114.0	95.5	100.3	100.0	0.0	0.0	0.0
Handicapped Loans(Guaranteed)	(8.3)	(1.7)	(8.0)	(1.6)	(5.0)	5.0	(5.0)	5.0	0.0
Handicapped Loans (Direct)	19.9	25.0	13.1	14.9	20.0	24.0	14.0	15.0	0.0
Economic Opportunity Loans (Guaranteed)	(24.5	28.4)	(13.4)	(38.5)	(60.0)	(60.0)	(57.0)	(56.0)	0.0
Economic Opportunity Loans (Direct)	63.2	49.0	21.8	16.5	45.0	45.0	24.0	24.0	0.0
Energy Loans (Guaranteed)	(11.3)	(7.3)	(1.3)	(3.2)	(15.0)	(15.0)	(14.0)	(14.0)	2.0
Energy Loans (Direct)	14.4	6.7	1.2	0.4	3.0	0.0	0.0	0.0	0.0
Veterans Loans (Direct)	0.0	0.0	0.0	6.4	25.0	25.0	19.0	19.0	0.0
Management Assistance	22.1	19.5	29.4	33.1	39.5	39.1	19.2	19.3	9.0
Sec. 501 Program	0.0	0.0	0.0	0.0	2.0	5.0	0.0	0.0	0.0
SBDC Program	3.9	8.1	11.6	15.4	20.5	20.5	33.5	25.0	27.0
Sec. 502 Dev. Company Loans (Direct)	44.7	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TENNESSEE VALLEY AUTHORITY									
Economic & Comm. Resources	12.4	11.2	16.0	18.1	20.0	22.5	14.0	11.7	0.0
DEPARTMENT OF TRANSPORTATION									
Local Rail Service Assistance	82.6	47.4	28.0	22.0	25.2	23.2	19.3	18.0	0.0
Sec. 18 Mass Transit Grants (100 % rural)	57.1	73.2	74.3	77.2	79.2	81.5	63.0	75.0	0.0
Aircraft Purchase Loans	(650.0)	(429.0)	(291.5)	(182.5)	(8.7)	0.0	0.0	0.0	0.0
Appalachian Highway Systems	228.7	210.2	187.6	116.1	110.0	104.3	61.7	71.3	0.0
Secondary (Rural) Highway System	772.9	643.1	387.0	482.3	500.0	500.0	450.0	385.0	500.0
Payments to Air Carriers(Local Air Service)	95.0	114.5	86.1	52.1	46.3	46.3	28.0	0.0	0.0
DEPARTMENT OF TREASURY									
General Revenue Sharing	6854.9	4569.9	4566.7	4566.7	4566.7	4566.7	4180.0	0.0	0.0

NOTES: Brackets ( ) indicate Loan Guarantee Authority (e.g., EDA Loan Guarantees)
n.a. indicates not applicable or not available.
* Year-round AFDC-based program proposed.

STATEMENT
on
RURAL DEVELOPMENT INITIATIVES IN H.R. 1800 AND H.R. 2026
before the
SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT
of the
HOUSE COMMITTEE ON AGRICULTURE
for the
U.S. CHAMBER OF COMMERCE
by
Stuart B. Hardy
May 19, 1987

The U.S. Chamber of Commerce welcomes this opportunity to state its views on the rural development initiatives contained in H.R. 1800 and H.R. 2026. This subject is of great interest to the Chamber because of its close relationship with several thousand local chambers serving rural communities and because many member companies are located in nonmetropolitan areas of the country. Moreover, the Chamber represents all segments of the agricultural chain, including supply industries, farm and ranch producers, commodity traders and brokers, and food and fiber processors, distributors, wholesalers, and retailers, many of whom contribute to and depend upon the rural infrastructure.

There is ample evidence that rural America has not fully participated in the current robust expansion of much of the rest of the U.S. economy. For example, a recent analysis by the Federal Reserve Bank of Kansas City[1/] shows that during the 1960's and early 1970's, per capita income in nonmetropolitan counties was beginning to approach per capita income in metropolitan areas. Since 1973, however, the income gap has begun to increase as city incomes have

grown at a faster rate than rural incomes. With respect to farm dependent counties, the study shows that real per capita income has declined on an average annual basis since 1973. Rural areas--especially areas dependent on agriculture and other primary industries--have lower incomes, fewer job opportunities, higher unemployment rates, and fewer government services than metropolitan areas.

Much public attention has been focussed on farm problems in recent years, and with good cause. Recession in the farm belt, the oil patch, and in mining and timber regions has put enormous stress on thousands of rural communities. In such communities, all rural institutions, including schools, hospitals, retail businesses, banks, and churches, are feeling the ripple effects. While farm programs are important, it is also appropriate that Congress address the full scope of structural change in rural America. The Chamber, therefore, appreciates the Subcommittee's interest in fashioning policies to revitalize distressed rural communities.

Public/Private-Sector Partnership Is Needed

The two bills under consideration today, H.R. 1800 and H.R. 2026, recognize that the federal government alone, while an important part of the total equation, does not have the resources or the wisdom to impose a rural solution from Washington, D.C. Rather, the most effective role of the federal government is to use available financial resources to leverage and mobilize far greater resources in the private sector and in state and local government.

An example of this federal-local-business partnership--and one in which chambers of commerce have been enthusiastically involved--is the Main Street program. Begun seven years ago by the National Trust for Historic Preservation to restore the economic health and vitality of small cities and towns, the program has helped over 100 communities in 11 states to transform

decaying business districts into thriving commercial sectors. The program involves very little federal expense. It is not a grant program but a program of technical assistance that helps local communities identify the means and methods of restoring their downtown centers.

Both H.R. 1800 and H.R. 2026 would strengthen the public/private-sector partnership in several important ways. H.R. 1800 would authorize the Rural Development Loan Fund to make funds available for five years for relending by local public and nonprofit private organizations to stimulate growth in distressed communities. H.R. 2026, Title II, provides for needed cooperative agreements with the states.

Rural Issues Merit Greater Priority

When the U.S. Department of Agriculture was established 125 years ago, most Americans lived on farms and ranches. The terms "rural" and "agricultural" were so synonymous that President Lincoln dubbed his new agency the "people's department" because its programs directly served the majority of our population. Today, about 64 million Americans live in rural areas (nonmetropolitan counties) and less than one-tenth of this number lives on farms or ranches. Clearly, the economic problems confronting rural citizens encompass far more than agriculture and, in the Chamber's opinion, require more attention from policymakers than they are now receiving in the Department of Agriculture or the Executive Office of the President.

This does not mean that less attention or resources should be devoted to production agriculture. In fact, farmers and ranchers would benefit from H.R. 1800 and H.R. 2026 because of the interdependence of farms and local communities. Farm families depend on nearby towns for needed production inputs, for marketing and transportation services, and, increasingly, for off-farm employment. Similarly, agriculture and other primary industries continue to provide the economic base for several thousand rural communities. The rural infrastructure of facilities and services is one of the most

important elements contributing to agricultural competitiveness in world markets. This infrastructure must be maintained and improved if U.S. farm products are to meet the challenge of fierce competition in the global food and fiber system.

Titles I and VIII of H.R. 2026 would increase significantly the profile and visibility of rural functions of the federal government by establishing a Rural Development Administration in the Department of Agriculture and a Special Assistant to the President for Rural Policy in the White House. To assure that the reorganization and upgrading of rural functions accomplishes the goal of a more cost-effective, efficient and streamlined rural policy, the Subcommittee may wish to consider expanding the Comptroller General's report, provided in Section 108, to include a thorough analysis of the various reorganization options and their potential impacts on the decisionmaking process.

Rural Leaders Deserve Support

Since the early 1980's, rural local governments have been caught between lower federal financial aid and a falling tax base. The drop in farmland values has had an especially depressing effect on communities whose tax base is primarily agricultural land.

Rural leaders in the public and private sectors need greater technical support to meet the challenges of major structural changes occurring in their local economic base at a time when public revenues are stagnant or declining. H.R. 2026 would address this need by providing rural leaders with information, training, and education aimed at improving fiscal and management skills and increasing awareness of policy alternatives. Many rural governments are led and staffed by part-time or voluntary personnel. These local decision-makers need technical and educational assistance to identify and implement methods of

increasing jobs and income. They need help in assessing their situation in a realistic manner. They need help in determining how to cut unnecessary expenditures, seeking diversification in their economic base, building upon the assets that they already possess, and considering how natural resource industries can add value locally. H.R. 2026, in particular, would address this need by establishing a National Rural Assistance Information Clearinghouse and by providing for rural technology centers and agriculture action centers. The five year pilot program called for in H.R. 1800 would also provide needed support for rural leaders.

More Flexibility Needed in Federal Rural Policy

There is enormous social and economic diversity in rural America. To be effective, federal rural policy must be sufficiently flexible to serve the very different needs and opportunities of fundamentally different communities. Moreover, the increasing globalization of the economy--especially in financial markets and the sectors of energy and agriculture--means that Washington has less and less control over the forces that shape and change local businesses.

H.R. 1800 and H.R. 2026 would respond to the need for a flexible, accommodative rural policy by giving governors and local leaders greater discretion in the deployment of federal resources. In particular, the Chamber applauds the block grant approach contained in H.R. 2026.

A Secondary Market for Farmland Mortgages Would Help Rural Communities

Finally, the Chamber would recommend one additional tool for rural revitalization not included in either H.R. 1800 or H.R. 2026 but under consideration by the Subcommittee. It respectfully urges the Subcommittee to approve legislation to facilitate the formation of a private sector secondary

market for farmland mortgages. A secondary market, if properly structured, would lower interest rates for borrowers, stabilize farmland values, and provide rural banks with greater capitalization for investments in the community.[2/] The formation of a secondary market is an essential part of any strategy for revitalizing rural America.

Thank you for this opportunity to present the Chamber's views to the Subcommittee.

1/Mark Henry, Mark Drabenstott, and Lynn Gibson, "A Changing Rural America," Economic Review July/August, 1986, Kansas City Federal Reserve Bank.

2/See Stephen C. Gabriel and Paul T. Prentice, Preserving the Value of America's Farmland: An Economic Analysis of a Secondary Market for Farm Mortgages. Farm Sector Economics Associates, March, 1987.

(Attachment follows:)

The U.S. Chamber of Commerce is the world's largest federation of business companies and associations and is the principal spokesman for the American business community. It represents approximately 180,000 businesses and organizations, such as local/state chambers of commerce and trade/professional associations.

More than 91 percent of the Chamber's members are small business firms with fewer than 100 employees, 58 percent with fewer than 10 employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business--manufacturing, retailing, services, construction, wholesaling, and finance--numbers more than 11,000 members. Yet no one group constitutes as much as 29 percent of the total membership. Further, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the 56 American Chambers of Commerce Abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross section of its members serving on committees, subcommittees and task forces. Currently, some 1,800 business people participate in this process.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION
BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT
REGARDING RURAL DEVELOPMENT

May 19, 1987

Farm Bureau has had a long history of involvement in rural development. Farm Bureau leaders and members all across this country are active members of school boards, trustees of colleges and universities, county boards of supervisors, economic development commissions, the boards of lending institutions and many hold elected offices. These are the institutions and activities that impact rural economic growth.

We have always believed that rural or any economic development is best done by local people. Farm Bureau welcomes the new national interest in rural development. At the same time, we caution Congress to be very careful not to advance federal programs which would compete with those long standing state and local efforts and initiatives that have served the nation and rural areas well.

Federal rural development programs should be confined to those that support, not interfere with, local programs and private sector activities already underway.

We all know that it is not possible to have rural economic growth without having overall economic growth and an expanding U.S. and world economic pie. In this regard, one of the best policies for rural development would be for Congress not to pass protectionist trade legislation.

Trade protectionism is a dead end street for farmers given the fact that farmers contribute favorably to the U.S. trade balance. In addition, farmers rely heavily on imported farm inputs such as fuel, fertilizer, and machinery.

Farmers would also like assurance from Congress that their markets will never again be disrupted by embargoes, which sent shocks throughout the rural economy and left farmers with follow-up policies to offset the embargo, which messed up farm markets by raising loan rates and increasing storage programs.

Another assurance that farmers would like is to have Congress stay the course on the 1985 farm bill and, once and for all, bury the idea of mandatory production and marketing controls. In modern terms, advocating rural development through the likes of the Gephardt-Harkin bill is an oxymoron. Should a control plan be adopted, rural stagnation and decline will rapidly follow.

Since inflation control has had very favorable effects on farm production expenses and thus farm income, we do not believe that we should give up the inflation fight.

It is true that controlling inflation reduced land and other asset values and caused some major adjustments in farmer credit practices. At the same time, lower asset prices have been beneficial to young farmers trying to get started farming. This is important to farmers who wish to sell out or allow their sons and daughters to buy into their farms. Rural development is better served when farms and ranches are kept competitive and transferable from one generation to another.

Keeping U.S. farms and ranches competitive could be substantially improved by Congress and the Executive Branch coming to grips with the plethora of laws, rules and regulations that strangle the use of basic farm inputs and add measurably to our cost of doing business.

We must remember that farmers are now competing in a world marketplace with producers from other countries, who do not have the same restrictions on farm input uses and farming practices that we do. Congress should not expect farmers to pay the full price for environmental purity.

Greater truck deregulation would have a beneficial impact on rural economic development. Deregulation has on balance been good for railroads through reduced overhead capacity and the ability to make confidential rate contracts. This latter feature of rate deregulation has been very beneficial to farmers in the grain belt by strengthening prices. Efforts to make rail contracts public should stop.

Biotechnology holds substantial potential for dealing with environmental issues. Most reports indicate that the U.S. is falling behind the rest of the world in biotechnology leadership. We have a world class agriculture that is looking for national policy leadership in the rapidly emerging field of biotechnology. If we are not careful, other nations will seize this international opportunity. Biotechnology could hold substantial benefits for rural America, if we focus on the positives, rather than the negatives.

Economic progress and wealth creation are basically slow processes. Whenever government has tried to artificially speed this up, it has failed. The inflation of the 1970s is the most recent experience. We are still paying the price. Inflation distorted all price and cost relationships and led to state and local spending and tax burdens that are damaging rural development in many parts of the country. Some rural states have experienced greater economic stability than others during these difficult times in U.S. agriculture. Part of the reason for this stability has to be found in the greater balance among agriculture, commerce and industry. The more attractive business climate in some states is also part of the economic stability in some rural areas.

We have learned some basic economic lessons in recent years. One of these lessons has been that tax rates--local, state and national--exert a powerful impact on economic development and growth. When individuals are allowed to keep their income and wealth, more real jobs are created and economies boom.

We are in the age of privatization. Good things have happened in the U.S. and abroad wherever government has relinquished its traditional activities to private sector operations without a loss of services. Every avenue should be explored to find opportunities to privatize present rural development programs. New programs should also meet the test of privatization.

Farm Bureau does not come before you today with a laundry list of requests for new programs for rural development. To the contrary, we believe that there are quite a few major policy initiatives which, if pursued by Congress, would be of tremendous economic benefit to farmers, rural America, and the nation.

For FY 1981-1987 federal spending on annual programs equaled $918 for every rural person, $131 per person per year. Over $21 billion were spent on funding and loans for rural electrification and telephones (REA). Funding, grants and loans for rural housing and development projects totaled almost $34 billion. The $55 billion total does not include federal farm program outlays.

Farm Bureau believes that, given the overall problem in controlling federal spending, it is time for all of us to see what can be done to bring about true economic development in rural America and the nation through policies and programs that will not cost additional tax dollars.

Stopping trade protectionism, reducing the regulatory burden on farmers and businesses in general, staying the course in farm policy toward a market-oriented agriculture, giving international leadership to agriculture and the nation in biotechnology, encouraging the Federal Reserve toward stable, noninflationary money growth and reducing the deficit through spending restraint not tax hikes--would be a good start for a national rural development program.

Thank you for the opportunity to present Farm Bureau's views on this important topic. We look forward to working with Congress on rural development programs.

RURAL COMMUNITY SERVICE PROJECT

The State of Missouri is a recipient of funds for mental health outreach programming under Section 1440 of the Food Security Act. The University Cooperative Extension Service will administer this project with the cooperation and support of five community mental health centers serving northern and central rural areas of Missouri.

The **objectives** of the Rural Community Service Project, through the activities of coordinators in each service area are:

1. Coordinate, organize and serve as a liaison among local resources, agencies and community groups - providing information on current rural community issues and assessed needs of rural families;

2. Consult on mental health issues and needs with local clergy, physicians, school personnel and other care providers;

3. Establish community support groups to allow persons to develop self-guided, educational networks of mutual support for dealing with rural issues and personal stress;

78-346 0 - 88 - 9

4. Seek out individuals and families needing professional mental health services and initiate referrals;

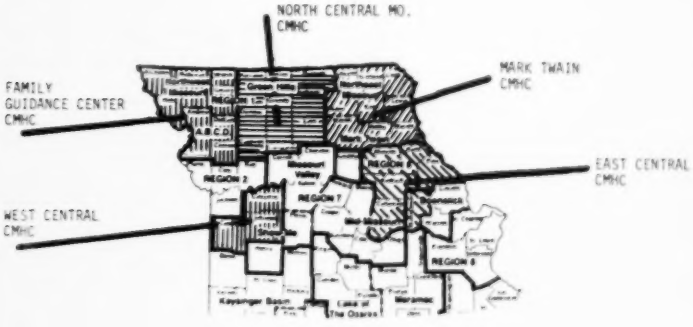
5. Monitor the stress level and emotional climate of rural communities and provide available resources to reduce the impact of these conditions;

6. Conduct community awareness and educational programs;

7. Facilitate a network of community service agencies, care providers, educational and governmental leaders to maximize local resources and facilitate referrals to appropriate services to meet the broad array of rural resident needs.

The local service coordinators will utilize the full resources of the University of Missouri, the University Cooperative Extension Service and the local community mental health center in providing services to rural communities and families. Through this cooperative effort, rural Missouri residents will obtain support, service and professional guidance as they experience and cope with a period of economic and social transition within their rural community.

FOR ADDITIONAL INFORMATION OR ASSISTANCE, CONTACT YOUR LOCAL COUNTY EXTENSION OFFICE



State of Illinois

GOVERNOR'S RURAL AFFAIRS COUNCIL

Lieutenant Governor
George H. Ryan
Chairman

May 14, 1987

The Honorable Edward Jones, Chairman
House Subcommittee on Conservation, Credit and
Rural Development
United States House of Representatives
Washington, D.C. 20515

Dear Representative Jones:

Governor Thompson and I began planning the Task Force on the Future of Rural Illinois in February, 1986, in an effort to begin ameliorating difficulties facing Illinois' rural citizens.

The Summary Report of the Task Force on the Future of Rural Illinois, which is attached, is the result of exhaustive research and public testimony during the period June, 1986 through February, 1987.

The development of new economic enterprise, and the improvement in local services and educational institutions is essential to the future of rural and small town Illinois and America. I believe that our efforts to promote a rural renaissance in Illinois provide valuable insights at both the state and national level.

Sincerely,

GEORGE H. RYAN
Lieutenant Governor

GHR/LD/nt

Enclosure

612 Stratton Building • Springfield, Illinois 62706 • 217/782-7514

GOVERNOR'S TASK FORCE ON THE FUTURE OF RURAL ILLINOIS

James R. Thompson
Governor

Lieutenant Governor
George H. Ryan
Chairman

Dr. John McCall
Mr. James Walsh
Co-Vice Chairmen

SUMMARY REPORT
to
the Governor
and
85th Illinois General Assembly

TABLE OF CONTENTS

Transmittal Letter

Acknowledgements

Task Force Members

INTRODUCTION..... 1

I. A RURAL EMPHASIS IN ILLINOIS GOVERNMENT..... 6

II. THE RURAL ECONOMY IN ILLINOIS.....9

III. LOCAL GOVERNMENT CAPACITY AND VIABILITY IN RURAL ILLINOIS.....15

IV. EDUCATION AND HUMAN SERVICES IN RURAL ILLINOIS.....20

V. RECOMMENDATIONS.....27

A. Recommendations to the General Assembly.....28
B. Recommendations to State Departments and Agencies.....31

VI. RURAL AFFAIRS COUNCIL.....37

Appendices:

* Map of Task Force Members
* Map of Task Force Hearing and Meeting Sites
* Executive Order Number Six, The Rural Fair Share Initiative, 1986
* Executive Order Number Seven, The Governor's Rural Affairs Council, 1986

INTRODUCTION

The Task Force on the Future of Rural Illinois was created to examine social and economic conditions in rural Illinois and to make recommendations for State and local action which would help to ameliorate social and economic stress and help to preserve and enhance the values and quality of rural life inherent in Illinois. From March, 1986, to January 1, 1987, several means were used to gather facts, information, perceptions and opinions. Twenty-two public hearings were held across the State, and 332 persons testified. One hundred and nineteen town visits were completed, and over 1,000 rural Illinois citizens provided a wealth of data. One hundred and thirty-five advisory groups were given the opportunity to provide their views on rural Illinois. University consultants from Illinois institutions of higher learning brought years of research and teaching expertise about rural issues. Extensive annotated bibliographies were developed to ensure the inclusion of past and current studies and writings on rural life conditions. Finally, state departments and agencies lent expertise and information to the data gathering process. This Summary Report of the Task Force on the Future of Rural Illinois is the result of effective collaboration among a wide variety of groups, each acknowledging the common bond that rural Illinois heritage and culture is worth a renewed investment of time, energy, and resources.

Because the Task Force is concerned with quality of life, a broad subject approach was selected for study -- economic development and transportation, health care and social services, production agriculture, agricultural credit and agribusiness, and finally local government and education. Each of the study areas, any one of which is important enough to justify separate analysis, covers influences which dramatically affect the rural citizen in unique ways, and adds to or detracts from the quality of rural life.

As the Task Force listened to the problems and concerns of rural Illinois citizens and advocates, a three-level approach was followed. First, immediate problems which could be acted upon with existing State resources received attention. Second, an intermediate term agenda was built for assisting rural Illinois. The intermediate agenda is the recommendations contained in this Summary Report for attention by the General Assembly and state agencies in the next one to three years. Finally, long term agenda building was started.

The Task Force has been a catalyst for establishing growing awareness of and action on the needs of rural Illinois people. Immediate action has occurred to ensure that the issues presented and the momentum generated by the Task Force results in continued agenda building for the needs of rural Illinois.

(The complete report is held in the committee files.)

Statement

of

Jim White

General Manager

Gibson County Electric Membership Corporation

before the

Conservation, Credit and Rural Development Subcommittee

of the House Agriculture Committee

United States House of Representatives

on

Rural Electric Systems' Role In

Economic and Community Development

Mr. Chairman and distinguished Members of the Committtee:

I appreciate the opportunity to appear before you today on behalf of the Gibson County Electric Membership Corporation and our 29,000 members concerning the role rural electric systems can play, and the impact we can have on economic and community development. We are also grateful for the interest and support members of this panel have demonstrated to us and to the other 1,000 rural electric systems across the nation.

For the past 51 years the Gibson County Electric Membership Corporation has worked to meet the changing needs of our members, not only in providing electricity but meeting

their other needs as well.

Today, the people of our area and all of rural America are in serious economic trouble. It's a nation-wide problem. Reports such as the one prepared by Senator Leahy's Senate Agriculture Committee points out the contrast of the booming coastal economies of California and Florida and the depressed economies of the farm belt.

Closer to home, in the Southeast and the Tennessee Valley, we see first-hand the desperate economic and social conditions described in landmark studies such as the "Shadows in the Sunbelt" report. This report eloquently describes the problems being created by the development of a dual economy, characterized by booming urban economies such as Atlanta and Nashville, amid distressed rural areas such as the Powell Valley, Fayette County and our own Lake County.

The long-standing depressed farm economy has forced out Northwest Tennessee's agricultural base, leaving a climbing unemployment rate and displaced people.

Many are following the national trend - moving from our rural to urban areas in hopes of finding work - and Gibson County Electric's load growth is reflecting this undesirable occurrence.

Our cooperative began taking action to deal with these problems in 1981. Our effort has made a positive difference, and we continue to dedicate time and attention to economic and community development because the severe and far-reaching effects of the deteriorating economy persist. We also know it is unhealthy for the nation, community and the cooperative for people to be deserting rural America. And, because Gibson County Electric is a service organization established to meet the needs of our member-owners, we have a special obligation to get involved in helping to improve the quality of life for our members.

Here are just a few of the ways Gibson County Electric has taken action for improved economic and community development over the past year:

* The cooperative has worked closely with the counties we serve in developing programs to encourage existing industrial expansion and the recruitment of new industry. These efforts helped to create more than 400 jobs in Northwest Tennessee during 1986.

* More specifically, we have provided slide presentations and other materials used in industrial recruitment. Conservation studies, engineering assistance, and financing for employee training were made available for industry

through the cooperative and the Tennessee Valley Authority's Existing Industry Program.

* Gibson County Electric has worked closely with the State Department of Tourism, and local Chambers of Commerce to develop and initiate a tourism promotion and marketing program for Northwest Tennessee.

* We have worked with community, state and federal entities to offer services to improve the quality of life in our area. An energy efficient planning service for new homes and apartment projects, and technical assistance for community improvement projects including recreational facilities lighting were also provided.

* The cooperative has assisted in the coordination of "health fairs" for the purpose of screening people for early signs of disability or disease and providing information on how to live healthier lives.

* And, we have devoted much time and attention to helping those who need our help the most - the low-income, elderly and handicapped. Gibson County Electric has been instrumental in setting up and overseeing the operation of a food pantry for the needy. We have been closely involved with the "Meals on Wheels" program in our area, and have also worked in conjunction with the Tennessee Valley

Authority and local organizations to improve the living conditions for these groups.

Our members not only support us in this endeavor, but they appreciate our involvement. This feeling is held on a national and regional level according to a survey conducted by Cooper and Secrest for NRECA in 1985. They interviewed both consumer/members and utility managers and directors. Of the consumer/members surveyed nationally, 74% said that cooperatives should be involved in economic development. Of the managers and directors interviewed nationally, 86% believed that co-ops should be involved.

In our Region III, which is comprised of Tennessee, Kentucky, Mississippi, and Alabama, the results showed an even stronger support for co-op involvement with 76% of consumers and 97% of managers and directors supporting involvement. The 97% score for managers and directors in Region III was higher than that for any other region in the country!

Our rural electric systems not only believe they should be involved. One hundred thirty-nine out of the 160 distributors surveyed in the Tennessee Valley Authority area had at least one person actively engaged in economic development.

Gibson County Electric and other rural electric systems are making an impact, but we can make an even more substantial contribution to the rural areas in the future. We have a solid base in the rural areas with over 50 years of service and the leadership who know first hand the rural people and problems, and are committed to helping them.

In order to be as effective as possible, however, we and all rural electric systems will need the help and support of government. We believe it is also essential that programs incorporate the same federal-community partnership demonstrated by the Rural Electrification Administration and rural electric cooperatives. Making these federal programs locally designed, implemented, operated and controlled would make them more accessible to the people and communities they were created to help.

In these communities, the rural electric system is in an ideal position to serve as a nucleus for economic and community development efforts. We can bridge the gap betwe n federal and local, and provide leadership, meeting space, technical assistance, coordination and support.

Rural electric systems are also in the position to serve as facilitators for other community services, projects, programs and grants, not only working to expand existing industry, but to improve schools, water and sewer systems,

transportation and roads, etc...

Although our area and rural America as a whole is facing difficult times, we are optimistic. We strongly believe that Gibson County Electric and the nation's other rural electric systems are a valuable resource; and if given the opportunity and support, we can put rural America back on the road to recovery.

We applaud the Committee for taking a concerned and active leadership role in working to overcome these problems and we offer our complete support and assistance in taking steps to help those in the areas that we serve.

Mr. Chairman, I would be pleased to respond to any questions you or any of the Committee members may have. Thank you.

I

100TH CONGRESS
1ST SESSION

H. R. 1800

To assist in the revitalization of rural communities through economic diversification and the provision of community facilities to meet basic human needs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1987

Mr. JONES of Tennessee (for himself and Mr. DE LA GARZA) introduced the following bill; which was referred to the Committee on Agriculture

---

A BILL

To assist in the revitalization of rural communities through economic diversification and the provision of community facilities to meet basic human needs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Rural Area Revitalization Act of 1987".

SEC. 2. Section 1323(b)(2) of the Food Security Act of 1985 is amended by—

(1) striking out "and" at the end of subparagraph (B);

(2) striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and

(3) adding at the end thereof the following:

"(D) there is authorized to be appropriated for each of the fiscal years during the period beginning October 1, 1987, and ending September 30, 1992, an amount not to exceed $20,000,000 for loans to intermediary borrowers under terms and conditions provided under subparagraph (B) of this paragraph.".

SEC. 3. Section 1323 of the Food Security Act of 1985 is amended by adding at the end thereof the following:

"(c)(1) Effective for each of the 1988 through 1992 fiscal years, the Secretary may make grants, not to exceed $25,000,000 in total for each fiscal year, to public or private nonprofit organizations, operating in rural areas, whose principal mission is to improve business, industrial, and employment opportunities, particularly assisting low income rural people and economically distressed rural communities. Such assistance may be used for financing new business ventures, community improvements, capital improvements, infrastructure development, and other activities the Secretary deems consistent with the purpose of this subsection.

"(2) Notwithstanding any other provision of law, the Secretary may use the funds, facilities, and authorities of the Rural Development Insurance Fund under section 309A of

the Consolidated Farm and Rural Development Act to implement the grant program under this subsection.

"(d)(1) Effective for each of the 1988 through 1992 fiscal years, the Secretary may make grants, not to exceed $25,000,000 in total for each such fiscal year, for the purpose of stimulating economic growth and diversification in rural communities affected by recent declines or chronic underdevelopment in basic economic sectors, such as agriculture.

"(2) Grants under this subsection may be made to public and nonprofit private institutions for activities consistent with the purposes of this subsection, including, but not limited to—

"(A) identifying business opportunities that will use local economic and human resources;

"(B) identifying, training, and providing technical assistance to existing or prospective local entrepreneurs and managers; or

"(C) mobilizing capital from within and outside local communities to stimulate the formation and expansion of local business activities.

"(3) Grants may be made only for projects intended to provide direct benefit to rural areas not within a city or town with a population in excess of 20,000 inhabitants. The Secre-

tary shall give preference to projects serving areas with the most serious economic distress.

"(4) Any grant under this subsection may not exceed 75 percent of the costs of implementing the project covered by the grant, although the Secretary may waive this limitation in the case of any project serving a rural community in which the average income level does not exceed 80 percent of the nonmetropolitan median household income within the State in which the project is located or does not exceed the poverty line established by the Office of Management and Budget, whichever is greater.

"(5) Notwithstanding any other provision of law, the Secretary may use the funds, facilities, and authorities of the Rural Development Insurance Fund under section 309A of the Consolidated Farm and Rural Development Act to implement the grant program under this subsection.".

SEC. 4. Section 306(a) of the Consolidated Farm and Rural Development Act is amended by adding at the end thereof a new paragraph as follows:

"(20) The Secretary may make grants, not to exceed $10,000,000 in total annually, to associations described in paragraph (1) of this subsection to test cost-effective methods of meeting the basic needs of rural residents who do not have and cannot afford safe drinking water facilities. Such grants may include, but are not limited to, financing for—

"(A) costs associated with the development or improvement of individual or small, multiuser drinking water facilities;

"(B) costs associated with enabling such rural residents to connect to community water supply systems, such as the payment of connection fees;

"(C) costs associated with improving the operation, maintenance, or management of small community water systems that currently are unable to provide safe drinking water at affordable rates to such rural residents; or

"(D) costs associated with implementing other alternatives to meeting the basic drinking water needs of such rural residents.".

SEC. 5. The Secretary of Agriculture shall establish an office within the Farmers Home Administration of the Department of Agriculture whose purpose shall be to encourage innovation and the application of effective solutions to the economic and community development problems of rural areas. The office shall participate in the review of project proposals and in the oversight of project implementation of projects funded under sections 2 and 3 of this Act and shall perform such other functions as the Secretary may assign to it.

○

100TH CONGRESS
1ST SESSION

H. R. 2026

To provide that the Department of Agriculture shall be known as the Department of Agriculture and Rural Development, to transfer certain other programs within such Department to a newly established Rural Development Administration, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 1987

Mr. COLEMAN of Missouri (for himself, Mr. JONES of Tennessee, Mr. MADIGAN, Mr. ENGLISH, Mr. JEFFORDS, Mr. MARLENEE, Mr. HUCKABY, Mr. HOPKINS, Mr. STANGELAND, Mr. GLICKMAN, Mr. STENHOLM, Mr. VOLKMER, Mr. ROBERTS, Mr. EMERSON, Mr. MORRISON of Washington, Mr. GUNDERSON, Mr. TALLON, Mr. ROBERT F. SMITH, Mr. THOMAS of Georgia, Mr. COMBEST, Mr. TAUKE, Mr. SCHUETTE, Mr. ESPY, Mr. JONTZ, Mr. GRANDY, Mr. MONTGOMERY, Mr. LOTT, Mr. TAYLOR, Mr. TRAXLER, Mr. MCHUGH, Mrs. SMITH of Nebraska, Mr. LIVINGSTON, Mr. SKELTON, Mr. WATKINS, Mr. BEREUTER, Mr. CLINGER, Mr. DORNAN of California, Mr. FAZIO, Mr. PASHAYAN, Mr. WILLIAMS, Mr. DAUB, Mr. FRANK, Mr. MCCOLLUM, Mr. WEBER, Mr. BOULTER, Mr. ROBINSON, Mr. BUECHNER, Mr. HOUGHTON, Mr. UPTON, Mr. STALLINGS, and Mr. WHITTAKER) introduced the following bill; which was referred to the Committee on Agriculture

---

A BILL

To provide that the Department of Agriculture shall be known as the Department of Agriculture and Rural Development, to transfer certain other programs within such Department to a newly established Rural Development Administration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That this Act may be cited as the "Rural Development Reorganization Act of 1987".

TITLE I—REORGANIZATION OF THE DEPARTMENT OF AGRICULTURE

RENAMING OF DEPARTMENT OF AGRICULTURE DEPARTMENT OF AGRICULTURAL AND RURAL DEVELOPMENT

SEC. 101. (a) Title XII of the Revised Statutes (7 U.S.C. 2201 et seq.) is amended by striking out "Department of Agriculture" and "Secretary of Agriculture" each place it appears and inserting in lieu thereof "Department of Agriculture and Rural Development" and "Secretary of Agriculture and Rural Development", respectively.

(b) Section 5312 of title 3, United States Code, is amended by striking out "Secretary of Agriculture" where it appears and inserting in lieu thereof "Secretary of Agriculture and Rural Development".

RURAL DEVELOPMENT REVITALIZATION

SEC. 102. (a) The Secretary of Agriculture and Rural Development shall establish and maintain a revitalized nationwide rural development program as set forth in the Rural Development Act of 1972, the Rural Development Policy Act of 1980 (7 U.S.C. 2201 et seq.) and this Act utilizing the resources and services available to the Department of Agriculture and Rural Development and such other resources and services as may be provided by other Federal departments

and agencies, and by State and local governments and by other private or nonprofit institutions.

(b) The Secretary shall perform his duties with respect to rural development as a primary function in supervising and controlling the Department of Agriculture and Rural Development and in exercising his authority under law and regulations in coordination with other executive branch departments and agencies, States and local governments, and other entities as it relates to rural development programs.

(c) The Secretary shall have the responsibility and authority to coordinate a revitalized nationwide rural development program in cooperation with other Federal Departments and agencies, State and local governments, as well as private and nonprofit institutions that will more effectively strengthen the family farm system and meet the needs for employment, training, education, health and other services for residents of rural areas.

ESTABLISHMENT OF RURAL DEVELOPMENT ADMINISTRATION

SEC. 103. (a) There is hereby established, in the Department of Agriculture and Rural Development, a Rural Development Administration, that shall be headed by an Administrator appointed by the Secretary of Agriculture and Rural Development, by and with the advise and consent of the Senate.

(b) Section 5316 of title 5, United States Code, is amended by striking out "Administrator, Farmers Home Administration" where it appears, and inserting the following:

"Administrator, Farmers Home Administration, Department of Agriculture and Rural Development.

"Administrator, Rural Development Administration, Department of Agriculture and Rural Development.".

AMENDMENT TO RURAL DEVELOPMENT ACT OF 1972

SEC. 104. The Rural Development Act of 1972 (7 U.S.C. 2201 et seq. and 2661 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 608. RURAL DEVELOPMENT ADMINISTRATION.—Title V and title VI of this Act shall be carried out through the Rural Development Administration.".

TRANSFER OF ENTITIES OR FUNCTIONS TO THE RURAL DEVELOPMENT ADMINISTRATION

SEC. 105. (a) The Secretary of Agriculture and Rural Development shall transfer from within the Department of Agriculture and Rural Development to the Rural Development Administration as soon as reasonably possible after the date of enactment of this Act, those agencies, offices, or other entities, or elements thereof, that perform rural development functions (that may include, if the Secretary so determines, rural housing) such as, but not limited to, the following:

(1) the rural economics elements of the Agricultural and Rural Economics Division of the Economic Research Division of the Department of Agriculture and Rural Development; and

(2) the rural development research elements of the Cooperative State Research Service, Department of Agriculture and Rural Development.

(b) The Secretary shall establish within the Rural Development Administration such divisions or agencies that will coordinate rural education and training, conduct grant programs and research for rural development, perform intergovernmental and public affairs on behalf of rural development and such other programs and activities as the Secretary may determine appropriate.

(c) The Secretary shall report to the chairman of the Committee on Agriculture, House of Representatives and the chairman of the Committee on Agriculture, Nutrition, and Forestry of the Senate not later than one year after the date of enactment of this Act with respect to the actions taken, or a deadline for action to be taken, under this section.

EXPANSION OF RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM

SEC. 106. Section 1536 of the Agriculture and Food Act of 1981 (16 U.S.C. 3459) is amended by striking out "two hundred and twenty-five" and inserting in lieu thereof "four hundred and fifty".

OFFICE OF ADVOCACY FOR RURAL DEVELOPMENT

SEC. 107. (a) There is established within the Rural Development Administration an Office of Advocacy for Rural Development. The management of the Office shall be vested in a Chief Counsel for Advocacy who shall be appointed by the President, by and with the advice and consent of the Senate.

(b) The primary functions of the Office of Advocacy for Rural Development shall be to—

(1) examine the role of rural development in the American economy and the contribution that rural development can make in improving economic opportunities for farmers, residents of rural communities, the rural unemployed, and those persons in rural areas entering the job market for the first time;

(2) encourage economic and social mobility for all citizens living in rural areas, analyze ways in which the loss of businesses in rural communities can be reversed, and stimulate innovation in attracting businesses to rural communities;

(3) encourage entrepreneurship in rural communities through financial, work force, environment, and other incentives;

(4) expand training opportunities for the unemployed, displaced farmers, and young persons entering the job market;

(5) provide an avenue through which new and untested products and services can be brought to the marketplace;

(6) assess the effectiveness of Federal grant-in-aid programs and existing Federal subsidy and assistance programs that may be available for rural development and assess the desirability of (a) revising the emphasis on certain existing programs, (b) increasing the emphasis on general assistance programs designed to benefit all rural areas, and (c) changing the formulas for certain grants or subsidies to States so as to benefit rural areas;

(7) measure the effects of Federal, State, and local government regulations and policies on rural development and make legislative and nonlegislative proposals for enhancing business opportunities in rural communities;

(8) determine the impact of the tax structure on rural development and make legislative and other proposals for altering the tax structure to enable the rural development program to realize its potential for contributing to the Nation's economic well-being;

(9) evaluate the ability of financial markets and institutions to meet rural community credit needs and determine the impact of government demands for credit on rural development;

(10) determine financial resource availability in rural areas and recommend methods for delivery of financial assistance to rural enterprises, including methods for securing equity capital, for generating markets for goods and services, for providing effective vocational and general education to rural residents, for providing more effective management and technical assistance and training, and for assistance in complying with Federal, State, and local laws;

(11) evaluate the efforts of Federal agencies, business and industry to assist rural development;

(12) assess the effectiveness of the program to locate or relocate Federal Government offices and other activities in rural areas as provided in section 603(c) of the Rural Development Act of 1972 (7 U.S.C. 2204a).

(13) evaluate the extent and the effectiveness of the potential for, or an adopted, Department of Defense procurement program in rural areas.

(14) make such recommendations as may be appropriate to assist the development and strengthening of business enterprises in rural areas;

(15) recommend specific measures for creating an environment in which businesses will have the opportunity to compete effectively and expand to their full potential in rural areas, and to ascertain the common reasons, if any, for business successes and failures in rural communities;

(16) determine the desirability of developing a set of rational and objective criteria to be used to define rural development areas, and to develop such criteria, if appropriate; and

(17) cooperate with, and consult with, the Chief Counsel of the Office of Advocacy, Small Business Administration with respect to the exchange of information, data, policies and activities that may enhance rural development.

(c) The Office of Advocacy shall also perform the following duties, among others, on a continuing basis:

(1) represent the views and interests of rural development before other Federal agencies whose policies and activities may affect rural development;

(2) counsel those interested in rural development on how to resolve questions and problems concerning

the relationship of rural development to the Federal Government;

(3) enlist the cooperation and assistance of public and private agencies, businesses, and other organizations in disseminating information about the programs and services provided by the Federal Government that are of benefit to rural development and in disseminating information on how businesses or other entities can participate in, or make use of, such rural development programs and services;

(4) develop proposals for changes in the policies and activities of any agency of the Federal Government which will better fulfill the purposes of the Rural Development Administration and communicate such proposals to the appropriate Federal agencies; and

(5) serve as a focal point for the receipt of complaints, criticisms, and suggestions concerning the policies and activities of the Rural Development Administration and any other Federal agency which affects rural development.

(d) Section 5316 of title 5, United States Code, is amended by adding at the end thereof the following new item:

"Chief Counsel for Advocacy, Rural Development Administration, Department of Agriculture and Rural Development.".

COMPTROLLER GENERAL'S REPORT TO THE PRESIDENT AND THE CONGRESS

SEC. 108. (a) The Comptroller General shall conduct an evaluation of the agencies, divisions, or other entities of Federal departments or agencies, or elements of programs administered by other Federal departments or agencies that perform functions or are assigned missions that could reasonably be found to comprise a function or mission that could be transferred to the Secretary of Agriculture and Rural Development. The Comptroller General shall prepare a report that shall describe the services, function, or mission conducted by the department or agency, or the element of a program conducted by such department or agency, that could be so transferred as well as the funding, personnel, and other resources committed by that department or agency to the service, function, mission, or element of a program that is the subject of possible transfer.

(b) The Comptroller General shall submit such report to the President and the Congress not later than one year after the date of enactment of this Act.

SEC. 109. Section 603(c) of the Rural Development Act of 1972 (Public Law 92–419) as amended by the Rural De-

velopment Policy Act of 1980 (7 U.S.C. 2204a) is amended by—

(1) inserting "(1)" after the subsection designation;

(2) redesignating paragraphs (1) and (2) as subparagraphs "(A)" and "(B)"; and

(3) adding the following new paragraph:

"(2) The Secretary of Agriculture and Rural Development shall submit a report, by geographical areas of the United States, to the Congress—

"(A) not less than six months after the date of enactment of this Act, setting forth the extent to which provisions of this paragraph were complied with during the period for fiscal years 1981 through 1986; and

"(B) not later than six months after the end of each fiscal year, commencing with fiscal year 1987, the extent to which offices and other activities of the Federal Government were located or relocated to rural areas.".

TITLE II—STATE COOPERATIVE AGREEMENTS AND PLANS

COOPERATIVE AGREEMENTS ENTERED INTO WITH STATES AND STATE SUBMISSION OF COMPREHENSIVE RURAL DEVELOPMENT PLANS

SEC. 201. (a) The Administrator, Rural Development Administration, may enter into cooperative agreements with States—

(1) to delegate to any State the authority to cooperate in carrying out the provisions of this Act or other laws relating to rural development, to train personnel of the State in the implementation of this Act, and to assist States in implementing, monitoring, administering or enforcing Federal rural development programs; and

(2) to assist States in the development and administration of Federal programs that provide (a) job retraining for rural residents; (b) educational opportunities for rural residents; (c) health programs for rural residents, including in-patient and out-patient services; (d) investment incentives for businesses that expand or locate in rural areas; and (e) information, data, technology, planning and other development assistance to rural residents, communities, businesses and other persons.

(b)(1) Prior to entering into any agreement with any State as provided in subsection (a) and prior to receiving any block grant funding, grant-in-aid or other funding from the Federal Government for rural development program purposes as provided in this Act, each State shall submit for approval by the Secretary of Agriculture and Rural Development a comprehensive plan for the establishment and operation of a rural development program to the Secretary incorporating such features as are provided for in this Act and other rural development laws and as the Secretary may require by regulation. Such plans may be amended periodically or as otherwise provided by the Secretary by regulation.

(2) The comprehensive plan submitted by the State shall include the designation by the State of rural areas located within the State, and outside metropolitan statistical areas, that are nominated as such areas eligible for grants and other assistance, under this Act and other laws, from the Federal Government and such designations shall be subject to approval by the Secretary. The Secretary shall issue regulations setting forth the procedures and criteria for designation by States of rural areas.

(c) The Secretary and heads of other Federal departments and agencies may, in addition, enter into agreements with State and local governments to provide educational

training, job training, health services and other benefits to residents of rural areas.

(d) The Administrator, Rural Development Administration shall in cooperation with the Secretary use the services of the Cooperative State Extension Service to inform and educate rural residents about education and training, health and other services made available under this Act or other laws relating to rural development.

NATIONAL RURAL ASSISTANCE INFORMATION CLEARINGHOUSE

SEC. 202. (a) The Secretary of Agriculture and Rural Development shall establish in the National Agricultural Library an entity to be known as the National Rural Assistance Information Clearinghouse (hereinafter in this Act referred to as the "Clearinghouse") to perform the functions specified in subsection (b).

(b) The Clearinghouse shall provide and distribute information and data to any industry, organization, or Federal, State, or local government entity, on request, about Federal, State, and local programs and services, and programs and services operated by private nonprofit organizations or institutions, under which individuals residing in, or organizations and State and local government entities operating in, a rural area (as designated in section 201(b) of this Act) may be eligible for any kind of assistance, including, but not limited to,

job training, education, health care, and economic development assistance, and emotional and financial counseling.

(c) On request of the Secretary, the head of any Federal agency shall provide to the Clearinghouse such information as the Secretary may request to carry out the functions specified in subsection (b).

(d) The Secretary shall request State and local governments and private nonprofit organizations and institutions to provide to the Clearinghouse such information as such agencies and organizations may have about any program or service of such agencies, organizations and institutions under which individuals residing in a rural area may be eligible for any kind of assistance, including, but not limited to, job training, educational, health care, and economic development assistance, and emotional and financial counseling.

TITLE III—RURAL TECHNOLOGY GRANTS

AMENDMENTS TO CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

SEC. 301. (a) Section 309(e) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1929(e)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farmers Home Administration and Rural Development Administration".

(b) Section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932) is amended by inserting at the end thereof the following new subsections:

"(f)(1) The Secretary shall make grants under this subsection to nonprofit institutions for the purpose of enabling such institutions to establish and operate centers for rural technology development.

"(2) Any nonprofit institution seeking a grant under paragraph (1) shall submit to the Secretary an application containing a plan for the establishment and operation by such institution of a center for rural technology development. The Secretary may approve such application if such plan contains the following:

"(A) A provision that substantiates that such centers will effectively serve rural areas in the United States.

"(B) A provision that the primary objective of such center will be to improve the economic condition of rural areas by promoting the development (through technology innovation) and the adaptation of existing technology and commercialization of—

"(i) new services and products that can be produced or provided in rural areas; and

"(ii) new processes that can be utilized in the production of products in rural areas.

"(C) A description of the activities which such center will carry out to accomplish such objective. Such activities may include the following:

"(i) Programs for technology research, investigations, and basic feasibility studies in any field and discipline for the purpose of generating principles, facts, technical knowledge, new technology, and other information which may be useful to rural industries, agribusinesses, and other persons, in rural areas served by such centers in the development, and commercialization of new products and processes.

"(ii) Programs for the collection, interpretation, and dissemination of existing principles, facts, technical knowledge, new technology, and other information which may be useful to rural industries, agribusinesses, and other persons, in rural areas served by the center in the development and commercialization of new products and processes.

"(iii) Programs providing training and instruction for individuals residing in rural areas served by the center with respect to the development (through technological innovation and adap-

tation of existing technology) and commercialization of new products and processes.

"(iv) Programs providing loans and grants to individuals in rural areas served by the center and to small businesses in rural areas served by the center for purposes of generating, evaluating, developing, and commercializing new products and processes.

"(v) Programs providing technical assistance and advisory services to individuals, small businesses, and industries, in rural areas served by the center for purposes of developing and commercializing new products and processes.

"(D) A description of the contributions which such activities are likely to make to the improvement of the economic condition of the rural area for which such center will provide services.

"(E) Provisions that such center, in carrying out such activities will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

"(F) Provisions that such center—

"(i) will consult with any college or university administering any program under title V of the

Rural Development Act of 1972 (7 U.S.C. 2661 et seq.) in the State in which such center is located; and

"(ii) will cooperate with such college or university in the coordination of such activities and such program.

"(G) Provisions that such center will take all practicable steps to develop continuing sources of financial support for such center, particularly from sources in the private sector.

"(H) Provisions for—

"(i) the monitoring and evaluation of such activities by the institution operating such center; and

"(ii) the accounting of money received by such institution under this section.

"(I) Provisions that such center will provide for the optimum application of such technology in rural areas, especially those areas adversely impacted by a depressed farm economy, through the establishment of demonstration projects and subcenters for rural technology development where the technology can be implemented by communities, community colleges, businesses and other institutions to improve local economic conditions.

"(3) Grants made under paragraph (1) shall be made on a competitive basis. In making grants under paragraph (1), the Secretary shall give preference to grant applications providing for the establishment of centers for rural technology development that—

"(A) can demonstrate the capability to transfer for practical application the technology generated at such centers to rural areas and the ability to commercialize products and processes in such areas;

"(B) will effectively serve in rural areas which have—

"(i) few rural industries and agribusinesses;

"(ii) high levels of unemployment;

"(iii) high rates of migration of people, businesses, and industries; and

"(iv) low levels of per capita income; and

"(C) will contribute the most to the improvement of economic conditions of rural areas.

"(4) As used in this subsection—

"(A) the term 'nonprofit institution' means any organization or institution, including any accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual;

"(B) the term 'United States' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the territories and possessions of the United States; and

"(C) the term 'rural area' means an area designated by a State and approved by the Secretary of Agriculture and Rural Development as part of the comprehensive plan submitted under section 201(b) of the Rural Development Reorganization Act of 1987.

"(g) In carrying out this section, the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment or underemployment of persons residing in economically distressed rural areas which the Secretary determines have a substantial need for such assistance. Such assistance shall include planning and feasibility studies, management and operational assistance, and studies evaluating the needs for and development potential of projects which increase employment and improve economic growth in such areas.

"(h) The Secretary may make grants to defray not to exceed 75 per centum of the administrative costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under subsection (f). For purposes of determining the non-Federal share of such costs, the

Secretary shall consider contributions in cash and in kind, fairly evaluated, including but not limited to premises, equipment, and services.

"(i) There are authorized to be appropriated such sums as may be necessary to carry out the purposes of subsections (f), (g), and (h) of this section. Any expenditure pursuant to such subsections shall be effective only to the extent, or in such amounts, as are provided for in advance in appropriation Acts.".

CONFORMING AMENDMENTS

SEC. 302. (a) The first sentence of section 331 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981) is amended—

(1) by striking out "For the purposes of this title and" and inserting in lieu thereof "In accordance with section 349 of this subtitle, for purposes of this title, and",

(2) by inserting before the period "or to the Rural Development Administration".

(b) Section 331(d) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981(d)) is amended by striking out "under any of its programs" and inserting in lieu thereof ", or the Rural Development Administration under any of their programs,".

(c) Section 331(h) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981(h)) is amended by striking

out "Farmers Home Administration" and inserting in lieu thereof "by the Rural Development Administration under this title or the Farmers Home Administration".

(d) Section 331(i) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981(i)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "by the Rural Development Administration under this title or the Famrers Home Administration".

(e) Section 331A of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981a) is amended by striking out "Farmers Home Administration, upon such terms as he" and inserting in lieu thereof "Administrator, Farmers Home Administration and the Administrator, Rural Development Administration, upon such terms as the Administrator".

(f) Section 335(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(a)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farmers Home Administration and the Rural Development Administration".

(g) Section 335(c) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(c)) is amended by inserting "the provisions of this title administered by the Rural Development Administration or" after "consistent with".

(h) Section 338(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1988(a)) is amended by striking

out "Farmers Home Administration" and inserting in lieu thereof "Farmers Home Administration, or the Rural Development Administration".

(i) The first sentence of section 347 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1955) is amended by inserting "or any program administered under this title by the Rural Development Administration" before the period.

(j) The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 349. (a) The Secretary shall carry out sections 303 (in the case of loans made for purposes specified in paragraphs (2) and (3) of subsection (a)), section 306, section 310A, section 310B (f), (g), and (h), and section 312(a) (in the case of loans made for the purposes specified in paragraphs (5) and (6)), through the Rural Development Administration.

"(b) Except as provided in subsection (a), or otherwise provided in this Act, the Secretary shall carry out the provisions of this Act through the Farmers Home Administration.".

TITLE IV—SPECIAL GRANTS

SPECIAL GRANTS FOR AGRICULTURE ACTION CENTERS

SEC. 401. Section 502(f) of the Rural Development Act of 1972 (7 U.S.C. 2662(f)) is amended to read as follows:

"(f)(1)(A) The Secretary shall provide special grants for programs to assist individuals who have been—

"(i) adversely affected by the existing farm and rural economic crisis;

"(ii) displaced from farming; and

"(iii) displaced from agriculture-related businesses and industries whose companies have been adversely affected by the decline in the agricultural economy.

"(B) Such grants shall provide to the individuals named in subparagraph (A) services that shall include, but not be limited to, the following:

"(i) crisis management counseling and outreach counseling that would include the family;

"(ii) assistance in the evaluation of their financial condition, in the preparation of financial plans, and in implementing financial plans and management strategies;

"(iii) evaluation of vocational skills and counseling in enhancing such skills;

"(iv) assistance in obtaining training in basic, remedial and literacy skills;

"(v) assistance in job search and training in job-seeking skills;

"(vi) assistance in obtaining training for operating a business or enterprise;

"(vii) provide for formal and on-the-job training to the maximum extent practicable;

"(viii) providing tuition assistance (including fees, books and other expenses of educational training) to the maximum extent practicable;

"(ix) providing support, to the extent practicable, to State and local government and private mental health officials in developing outreach programs in rural areas.

"(C) Recipients of a grant under this subsection may contract for the delivery of such services with private nonprofit organizations, units of local government, State agencies, accredited educational institutions, and other public and private nonprofit agencies and organizations such as, but not limited to, the following:

"(i) community colleges;

"(ii) vocational and technical schools;

"(iii) universities and colleges; and

"(iv) other appropriate community organizations.

"(D) The Extension Service, Department of Agriculture and Rural Development, is encouraged to work with State agencies, units of local government, and other public and private nonprofit agencies and organizations in developing a comprehensive plan for the use of the special grant funds and the delivery of services provided for in this subsection.

"(2) Grants may be made under paragraph (1) during the period beginning on the date of enactment of the Rural Development Reorganization Act of 1987 and ending five years after such date.

"(3) There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this subsection. Any expenditures made pursuant to this subsection shall be effective only to the extent, or in such amounts, as are provided for in advance in appropriation Acts.".

TITLE V—MISCELLANEOUS AMENDMENTS

CONFORMING AMENDMENTS

SEC. 501. (a)(1) Section 657 of title 18, United States Code, is amended by inserting ", or the Rural Development Administration" after "Farmers' Home Administration".

(2) Section 658 of title 18, United States Code, is amended by inserting ", or the Rural Development Administration" after "Farmers' Home Administration".

(3) Section 1006 of title 18, United States Code, is amended by inserting ", or the Rural Development Administration" after "Farmers' Home Administration".

(4) Section 1014 of title 18, United States Code, is amended by inserting ", or the Rural Development Administration" after "Farmers' Home Administration".

(b)(1) Section 623(c)(2) of the Community Economic Development Act of 1981 (42 U.S.C. 9812(c)(2)) is amended

by inserting ", or the Rural Development Administration" after "Farmers' Home Administration".

(2) Section 628 of the Community Economic Development Act of 1981 (42 U.S.C. 9817) is amended—

(A) by amending the heading to read "DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT; RURAL DEVELOPMENT ADMINISTRATION PROGRAMS", and

(B) by inserting ", or the Rural Development Administration" after "Farmers Home Administration".

TITLE VI—ADMINISTRATIVE PROVISIONS

REFERENCES

SEC. 601. (a) Any reference in any law, regulation, or order in effect immediately before the effective date of this Act to the Department of Agriculture shall be deemed to be a reference to the Department of Agriculture and Rural Development.

(b) Any reference in any law, regulation, or order in effect immediately before the effective date of this Act to the Secretary of Agriculture, or any other officer or employee of the Department of Agriculture, shall be deemed to be a reference to the Secretary of Agriculture and Rural Development, or an officer or employee of the Department of Agriculture and Rural Development, as the case may be.

(c) Any reference in any law, regulation, or order in effect immediately before the effective date of this Act to the Farmers Home Administration or Farmers' Home Administration or to the Administrator of the Farmers Home Administration or of the Farmers' Home Administration relating to any function, power, or duty which is, on or after such effective date, a function, power, or duty of the Rural Development Administration or the Administrator of the Rural Development Administration, shall be deemed to be a reference to the Rural Development Administration or to the Administrator of the Rural Development Administration, as the case may be.

INCIDENTAL TRANSFERS

SEC. 602. (a) The Secretary of Agriculture and Rural Development shall make such determinations, and shall transfer such personnel from the Farmers Home Administration, as may be necessary or appropriate with regard to the functions transferred by this Act to the Rural Development Administration. The Secretary shall also make such additional incidental dispositions of personnel, assets, liabilities, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available, or to be made available in connection with the functions transferred by this Act, as the Secretary may deem necessary to accomplish the purposes of this Act.

(b) The Administrator of the Farmers Home Administration and the Secretary of Agriculture and Rural Development shall take whatever steps are necessary to assure the effective and efficient transfer of authority as provided for in this Act and the amendments to other laws made by this Act.

ABATEMENT: SUCCESSION IN INTEREST

SEC. 603. (a)(1) No suit, action, or other proceeding commenced before the effective date of this Act by or against any officer of the Farmers Home Administration in the official capacity of such officer shall abate by reason of this Act or any amendment made by this Act.

(2) No cause of action arising before the effective date of this Act by or against the Farmers Home Administration shall abate by reason of this Act or any amendment made by this Act.

(b) If, before the effective date of this Act, the Farmers Home Administration, or any officer of the Farmers Home Administration in the official capacity of such officer, is a party to a suit, action, or other proceeding and if by reason of this Act or any amendment made by this Act the function involved, or such officer named, in such suit, action, or proceeding is transferred to the Rural Development Administration, then such suit shall be continued with the Secretary of Agriculture and Rural Development and the Administrator, Rural Development Administration, or other appropriate officer of the Department substituted or added as a party.

(c) The rights, interests, obligations, and duties of the Farmers Home Administration arising before the effective date of this Act out of any—

(1) loan made, insured, or guaranteed, or

(2) grant or contract made,

by the Farmers Home Administration in the exercise of its functions will continue to be vested in the Farmers Home Administration (except with respect to any function to be exercised after the effective date of this Act by the Rural Development Administration), and in the Rural Development Administration (with respect to any function to be exercised after the effective date of this Act by the Rural Development Administration).

REGULATIONS

SEC. 604. The Secretary of Agriculture and Rural Development shall prescribe such regulations as may be necessary to carry out this Act.

TITLE VII—BLOCK GRANTS

Subtitle A—Rural Development Assistance Grant

COMBINATION OF CERTAIN RURAL DEVELPMENT ASSISTANCE GRANT PROGRAMS INTO A SINGLE GRANT PROGRAM

SEC. 701. (a) Subsection (c) of section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932(c)) is amended to read as follows:

"(c)(1) The Rural Development Administration shall make grants to States, pursuant to State rural development plans submitted and approved in accordance with title II of the Rural Development Reorganization Act of 1987 as the Administrator may select—

"(A) to provide rural economic development technical assistance, rural community leadership development, and community and areawide rural economic development planning; or

"(B) for measures designed to facilitate development of private business enterprises, including the development, construction, or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refinancing, services, and fees.

"(2) Any amounts appropriated under this subsection shall remain available until expended, and any amounts authorized for any fiscal year but not appropriated may be appropriated for any succeeding fiscal year.

"(3) The Secretary shall require that matching funds be provided by the States at such rate or amount as will insure a commitment to the purposes of the rural development program and a maintenance of effort by the States to a continued effectiveness of the program.

"(4) There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this subsection. Any expenditures made pursuant to this subsection shall be effective only to the extent, or in such amounts, as are provided for in appropriation Acts.".

"(b) Paragraph (11) of section 306(a) of such Act is hereby repealed.

Subtitle B—Rural Infrastructure Block Grant Act

DEFINITIONS

SEC. 720. ALLOCATION TO STATE GOVERNMENTS.

(a) For each fiscal year, the Secretary of Agriculture and Rural Development shall allocate to each State, out of the amount appropriated for the fiscal year under this subtitle, such sums according to a formula for the allocation of funds that the Secretary shall establish, subject to the disapproval of Congress. The Secretary in establishing the formula shall take into consideration such factors as, but not limited to, the rural population of the State; the tax and revenue efforts of the State, including that devoted to rural development; the per capita income of the rural population of the State; the unemployment rate in the State, especially in rural areas impacted by a depressed agricultural economy; and other relevant factors. The Secretary shall submit such proposed formula within ninety days after enactment of this Act.

(b) The proposed formula for the allocation of funds shall be submitted by the Secretary to both Houses of Congress under this section and shall be promptly referred to the chairman of the Committee on Agriculture, House of Representatives and the chairman of the Committee on Agriculture, nutrition, Foresty, United States Senate. The formula shall become effective unless there has been enacted into law a joint resolution disapproving, or substituting another formula for, such proposed formula within a ninety calendar day period of continuous session of the Congress (excluding Saturdays, Sundays, and holidays, and any day on which neither House is in session because of adjournment sine die, a recess of more than three days, or an adjournment of more than three days) beginning on the day after the proposed formula is transmitted by the Secretary to the Speaker of the House and the President of the Senate. The Secretary shall also include in such proposed formula a provision for State matching funds as provided in subsection (e) of this section.

(c) The Secretary shall accompany the formula for the allocation of funds with proposed regulations, among others that the Secretary may wish to transmit, addressing the form of the applications for State grants; who, at what time and manner may make applications; requirements for the State plan and performance indicators as to how the Secretary will evaluate and measure compliance by States; any reporting

requirements for State grant recipients; and specific provisions on how grant funds may be used by State grant recipients.

(d) The Secretary shall consult with the State governments in proposing such formula and before transmitting the proposed formula to the Congress.

(e) The Secretary shall require that matching funds be provided by the States at such rate or in such amount as will insure a commitment to the purposes of the program and a maintenance of effort by each State to a continued effectiveness of the program.

SEC. 721. PAYMENTS TO STATE GOVERNMENTS.

(a) Except as provided under regulations of the Secretary of Agriculture and Rural Development and after the formula for allocation for funds has been adopted as provided in section 720, the Secretary shall determine allocations under this Act for a fiscal year by the first day of the third month before the beginning of the fiscal year. The Secretary shall pay State governments each total amount under this section in installments. An installment shall be paid at least once a quarter by the fifth day after the end of the quarter. The Secretary initially may estimate the amount of each installment.

(b) The Secretary shall adjust a payment under this title to a State government to the extent that a prior payment to

the government was more or less than the amount required to be paid. However, the Secretary may increase or decrease a payment to the government only when the Secretary or the government demands the increase or decrease within one year after the end of the fiscal year for which the payment was made.

(c) The Secretary may reserve a percentage (of not more than 0.5 per centum) of the amount under this section for a fiscal year for a State government when the Secretary considers the reserve is necessary to ensure the availability of sufficient amounts to pay adjustments after the final allocation of amounts among the States.

SEC. 722. USE OF FUNDS.

(a) Funds allocated to a State government under this Act shall be used by that State government, for rural infrastructure development in accordance with—

(1) such cooperative agreements as may have been entered into between the Rural Development Administration and the State;

(2) the State plan submitted to and approved by the Secretary;

(3) the requirements of this Act or other rural development law; and

(4) such regulations as the Secretary may prescribe to carry out this Act.

(b) Each State receiving an allocation under this Act shall submit to the Secretary of Agriculture and Rural Development a rural infrastructure development plan that is part of the plan submitted under section 201(b) of this Act and updated or adjusted as provided by regulations issued by the Secretary that—

(1) describes in detail the programs which will be established and operated with funds made available under this Act; and

(2) provides for the allocation of such funds within the State.

SEC. 724. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to make payments to State governments and for other purposes authorized under this Act, that are not otherwise authorized to be appropriated, such sums as may be necessary for fiscal years 1988 through 1991. Any expenditures made pursuant to this subsection shall be effective only to the extent, or in such amounts, as are provided for in appropriation acts.

TITLE VIII—SPECIAL ASSISTANT TO THE PRESIDENT FOR RURAL POLICY

SEC. 801. CREATION OF A SPECIAL ASSISTANT TO THE PRESIDENT.

(a) The President shall appoint, not later than ninety days after the date of enactment of this Act, a Special Assist-

ant to the President for Rural Policy (hereinafter referred to as the "Special Assistant") to assist, advise, and make recommendations to the President in order to improve and enhance rural development programs carried out in the United States.

(b) Section 5315 of title 5, United States Code is amended by adding at the end thereof the following new item: "Special Assistant for Rural Policy.".

SEC. 802. DUTIES AND RESPONSIBILITIES.

(a) The Special Assistant shall provide the leadership for coordination within the executive branch for programs affecting rural areas by using the services and assistance of executive branch departments and agencies.

(b)(1) The Special Assistant on behalf of the President shall conduct a systematic review of Federal programs affecting rural areas after consultation with the Administrator, Rural Development Administration, Chief Counsel for Advocacy, Office of Advocacy for Rural Development, and the Secretary of Agriculture and Rural Development—

(A) to determine whether such areas are benefiting from such programs in an equitable proportion to the benefits received by urban areas, and

(B) to identify any factors that may restrict accessibility to such programs in rural areas or limit participation in such programs.

(2) Subject to section 552a of title 5, United States Code, the Special Assistant may secure directly from any Federal department or agency information necessary to carry out the Special Assistant's duties under this section. Upon request of the Special Assistant under this paragraph, the head of any such Federal department or agency shall furnish such information to the Special Assistant.

(3) The Special Assistant shall monitor the cooperative efforts within Federal departments and agencies to improve the coordination and effectiveness of Federal programs, services, and actions affecting rural areas. The Special Assistant may request the heads of Federal departments and agencies to participate in any working groups that the Special Assistant, after consultation with the Secretary of Agriculture and Rural Development, deems necessary to carry out this section.

(4) The Special Assistant may conduct Presidential conferences to receive comments on any matter that the Special Assistant, after consultation with the Secretary of Agriculture and Rural Development, determines may have a significant impact on rural development or the economic development of rural areas.

(c) The Special Assistant shall monitor the legislative process and advise the President and Congress how rural

areas would be affected by legislation being considered by Congress.

(d)(1) The Special Assistant shall as requested by the Secretary assist in the preparation of a comprehensive rural development strategy based on the needs, goals, objectives, plans, and recommendations of local communities, political subdivisions of States, States, and multistate regions, which is designed to—

(A) maximize the effectiveness and increase the responsiveness of multidepartment and multiagency Federal programs to rural areas, and improve the delivery of services, assistance, and benefits under such programs in rural areas;

(B) increase the coordination of such Federal programs with the development needs, objectives, and resources of local communities, political subdivisions of States, States, and multistate regions; and

(C) make recommendations to the President, after consultation with the Secretary of Agriculture and Rural Development, that would achieve the most effective combinations of Federal, State, and local resources to meet the needs of rural areas for orderly growth and development.

(2) The rural development strategy referred to in this subsection shall take into account the need to—

(A) improve the economic well-being of all rural residents and alleviate the problems of low income, elderly, minority, and otherwise disadvantaged rural residents;

(B) improve the business and employment opportunities, occupational training and employment services, health care services, educational opportunities, energy utilization and availability, and accessibility to and delivery of private and public financial resources in the maintenance and creation of jobs in rural areas;

(C) improve State and local government management capabilities, institutions, and programs related to rural development and expand educational and training opportunities for State and local officials, particularly in small rural communities;

(D) strengthen the family farm system; and

(E) maintain and protect the environment and natural resources of rural areas.

(3) The Special Assistant may conduct Presidential conferences and receive such suggestions and recommendations as the Special Assistant and the Secretary deem appropriate during the preparation of a rural development strategy.

(4)(A) Not later than one year after the date of the enactment of this Act, the Secretary shall transmit the rural development strategy to the Committee on Agriculture of the

House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(B) In each year beginning after such strategy is so transmitted, the Secretary shall transmit of such committees a report specifying whether such strategy has been modified in the year for which such report is made and containing a description of each such modification.

(e) The Special Assistant shall utilize the Office of the President to maximize coordination of Federal programs affecting rural areas through a systematic effort to assist the Secretary in—

(1) improving communication and encourage cooperation among Federal departments and agencies in the administration of rural development programs;

(2) eliminating conflicts, duplication, and gaps in program coverage, and resolve contradictions and inconsistencies in the objectives, administration, and effects of rural development programs;

(3) facilitating the sharing or common location of field offices of Federal agencies administering similar or complimentary programs and unification of delivery systems, where feasible, to maximize convenience and accessibility of such agencies and programs to rural residents;

(4) facilitating and expediting joint funding of rural projects through Federal programs;

(5) identifying administrative problems in Federal programs that delay or hinder the effective delivery of services, assistance, or benefits to rural areas; and

(6) recommendations for simplifying, standardizing, and reducing the complexity of applications, reports, and other forms required under Federal rural development programs.

TITLE IX—EFFECTIVE DATE

EFFECTIVE DATE OF ACT AND AMENDMENTS

SEC. 901. This Act and the amendments made by this Act shall take effect on the date of enactment except as otherwise provided.

○